Tuesday June 19 1990

back on course

**US** court

to honour

obligations

pension

By Roderick Oram

in New York

orders LTV

D 8523A

FF No. 31,177 of the Financial times limited 1990

World News

#### **EC** delays trade accord ordered to over brutality pay \$189m in Bucharest to Ferranti

**European Community foreign** ministers have delayed approval of a trade and economic co-operation pact with Romania to show their distaste for the violent suppression of protest demonstrations in Bucharest last week. The decision came as Romania's parliament voted

for police action against continuing anti-government dem-onstrations in University Square, scene of last week's bloody clashes. Page 20; Repairing its image abroad,

Kaifu admits sale

Mr Toshiki Kaifu, the Japanese Prime Minister, admitted that one of his aides had sold shares only days after his Cabinet last year agreed a ban on all stock dealing by ministers and senior officials. Page 6

Kohi backs unity Chancellor Kohl has given his first public backing to full political union of the two Gernanys and all-German elec-

tions this year. Page 20 frag threatens Israel President Saddam Hussein of Iraq has again threatened to mount an all-out attack on Israel if it struck against the Arab world. Page 6

Sri Lanka gets tough The Sri Lankan Government said it will "annihilate" Tamil separatist guerrillas waging a week-old offensive against police and army bases in the north and east. Page 6

Bearings 'dumped' The European Commission, after finding Thailand guilty of dumping ball bearings on the European market, announced a 6.7 per cent dumping duty to protect local manufacturers. Page 4.

**Action on poliution** Japan announced a new policy on global warming, although an internal dispute left it unable to set a target figure for reducing carbon dioxide emissions. Page 20

**Election victory** 

Buigaria's former communist reshaped to conform with eastern Europe's reforming trend, have clinched victory by achieving a parliamentary majority in the first free poll in more than four decades. Page 3

India-Pakistan talks India and Pakistan set a July meeting to explore ways of easing cross-border tensions since Moslems started a campaign to split Kashmir from the Indian Union. Page 2

Tipped to resign The embattled Soviet Prime Minister, Mr Nikolai Ryzhkov, was named as a possible candidate for the job of Russian Communist party boss, renew ing speculation that he may step down. Page 2

1

Gunman kilis seven A gunman who was apparently infuriated because his car had

been repossessed went on the rampage in a Florida finance office, killing seven people before taking his own life. Pilot defects

A Soviet pilot who flew a 12seat passenger plane from Odessa to a beach on the Black Sea coast has asked the Turkish government for political

Hacker theft A young foreign exchange executive broke into his bank's computer system and stole more than \$M4m (\$US1.48m) in Malaysia's biggest case ever

of computer fraud. 2,500 evacuated A cloud of fumes spewing from a chemical plant in the US forced at least 2,500 people to

be evacuated from their homes

# **James Guerin**

**Business Summary** 

at the centre of the arms con-tracts scandal which forced Ferranti to suspend its shares on the London Stock on the London Stock
Exchange, was yesterday
ordered by the High Court to
pay back \$189.9m to the company, after a judge labelled
his written response to questions "contemptuous" and
"illusors." Pages 30 "illusory." Page 20

OIL: Prices fell in London and New York as Opec production continued at a high level. Brent oil prices for August closed at \$16.025, down 30 cents. Commodities, Page 32

Brent Blend Crude (\$ per barrel)

VOLVO, Swedish automotive group, is seeking to buy out the Dutch Government's majority share in Volvo Car BV, its associate company.

SOUTH KOREAN'S economy will grow by 9 per cent in real terms in 1990, from a growth rate of 6.7 per cent in 1989, Korea Development Institute predicts. Page 6

EUROPEAN COMMUNITY is insisting that all services be covered by trade-liberalising General Agreement on Trade in Services. Page 4

to sell its operations in Portu-gal to Spain's Banco Bilhao Vizcaya. Page 21 BOUYGUES, Europe's biggest

PARGESA group of comp

is putting up for sale its collective 62 per cent holding in Henry Ansbacher, London merchant bank, Page 21

RAA, formerly British Airports Authority, new chief executive is Sir John Egan, present chair-man of Jaguar, UK luxury car maker. Page 21; Lex, Page 20 TOSHIBA, Japanese electron-

ics group, plans an alliance of information systems divicompanies. Page 24

PIAGGIO, Italian Vespa scooter maker, may move pro-duction to India, following talks with Bajaj Auto, Indian

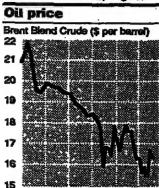
GROUPE VICTOIRE, Europe's fifth largest insurance group, is buying a 50 per cent interest in Laurentian Group's property unit based in Montreal for

HEWLETT-PACKARD moved to merge its computer workstation product line with that of Apollo Computer, the com-

ORIX, Japanese financial group, is buying contract

Air force. Page 11

MR JAMES GUERIN, the man



LLOYDS BANK of the UK is

contracting group, is buying 85 per cent of Losinger, Swit-zerland's second biggest con-struction company. Page 23

scooter maker. Page 4

C\$125m (\$106m). Page 22

pany it acquired in April 1989. Page 22

rights for up to 74 A320 aircraft from Airbus Industrie, Euro-pean aircraft maker. Page 24 GEC FERRANTI Defence is to shed up to 550 jobs in Edinburgh, Scotland, partly as a result of the cancellation of a contract involving the US

WEST GERMANY rejected an EC appeal to shelve plans for a controversial tax on foreign heavy trucks that could lead to blockades at its borders. Bonn plans to introduce the DM1,000 to DM9,000 (\$590 to \$5,300) tax on July 1.

# Trump in last-ditch attempt to save stricken empire

By Alan Friedman and Roderick Oram in New York

MR Donald Trump, the cash-starved property mogul who last Friday defaulted on \$73m of bank and bond interest payments, is negotiating a radical reorganisation of his stricken empire in order to stave off formal bankruptcy

The last-ditch solution, after months of mounting financial troubles, is expected to see the forced liquidation of major assets and the installation of new top management including chief operating and financial officers acceptable to his creditors

creditors.
Liquidation of Mr Trump's
major assets is likely to

mark Plaza Hotel in New York, his Trump shuttle airline, his personal yacht, formerly owned by Mr Adnan Khashoggi, the Saudi millionaire on trial for fraud, and a 72-acre parcel of undeveloped land on Manhattan's Upper West Side on which \$200m is owed.

Mr Trump yesterday told his four main bank credi-tors - Citicorp, Chase Manhat-tan, Manufacturers Hanover Trust and Bankers Trust - that he would accept such an approach, a banker involved in the discussions said.

Senior representatives of the four main hanks were locked in negotiations yesterday with

recalcitrant New Jersey bank bankers that makes fresh creditors. First Fidelity and funds available to meet these Midlantic\_

They were seeking an agreement among themselves on financial terms for the reorgan isation which they then hope to sell to other domestic and foreign banks which partici-pated in a total of \$2bn of bank

Time is running critically short for Mr Trump and his creditors because the 10-day grace period extended last Friday after his non-payment of \$48m of interest on casino bonds will expire early next

Unless an accord is reached

obligations, the flamboyant property developer will be declared formally in default. This in turn would almost certainly unleash a rash of legal actions that would jeopardise his casino licences in Atlantic

of the properties. A key adviser to Mr Trump in the negotiations is Mr Myron Tepper, a bankruptcy lawyer at the New York firm of Wilkie Farr.

City and his ownership of some

After a weekend of intense squabbling among middle-level bankers, yesterday's talks - termed a "showdown meet-

but retains gold

attended by senior bankers with authority to "cut a deal" over Mr Trump's troubled property, casino and airline

This deal, whether it is agreed now or later in the week, is expected to resemble a bankruptcy reorganisation.

Full co-operation of all the creditors is, however, essential if Mr Trump is to avoid filing formally for protection of the bankruptcy courts.

"Bankruptcy is a real possi-bility unless they can come up with an agreement or he can come up with an alternative source of money," a banker

# THE US Government won an important Supreme Court victory yesterday in its fight to prevent financially troubled companies from shirking their pension responsibilities, a move that can ultimately leave taxpayers providing for their retired workers. The court ruled in a sixto-The court ruled in a six-to-three verdict that LTV, the third largest US steelmaker, which has operated under pro-tection of the bankruptcy court since 1986, had to rein-state three pension plans now that its financial health has Taiwan broadens reserve holdings

improved.
The Government's Pension Benefit Guaranty Corporation had been trying since 1987 to get LTV to resume its pension obligations and make up a \$2.3bn deficit in the suspended

retirement plans. But the agency had suffered repeated setbacks in lower courts which had accepted LTV's argument that the demand was "capricious" because it could not afford to

The Supreme Court said LTV's financial performance was relevant to the case but not the only consideration. "The PBGC's restoration decision was not arbitrary and capriclous or contrary to the law." Institute Harry Richtman law," Justice Harry Blackmun wrote in the majority opinion of the court.

The agency insures the pen-sion plans of some 40m US workers covered by their companies' retirement plans. It repeatedly warned that if LTV avoided reinstating its pension plans then other companies with under-funded pensions might be tempted to file for bankruptcy court protection to reduce their obligations.

when a government-insured pension plan fails the agency steps in to maintain the retirces' benefits. Growing demands on its resources have left it with assets of only \$3.2bn but liabilities of \$4.2bn. The LTV case has turned into one of the most conveinto one of the most convo-luted ever seen in the bank-ruptcy field, largely because of the pension fund issue. With many of its financial obligations suspended pending an agreement with its creditors, LTV's performance has improved dramatically. Last year it earned net profits of \$294.9m on revenues of \$6.36bm after years of losses through the 1980s. It has offered \$4bn of assets to settle \$7bn of claims.

# Brittan's proposals on Rover payments spark EC dispute

BRITISH Aerospace will not be asked to reimburse taxpayers for allegedly having paid too little for Rover, the UK vehicle maker, which it bought for 2150m (3253.5m) from the Brit-ish Government in 1898.

sin Government in 1888.

Sir Leon Brittan, the EC competition commissioner, is however likely to recommend that British Aerospace must repay about £44m of sweeteners and other Illicit aids granted by the British Govern-

His proposals were due to be put to the 16 other EC commis-sioners tomorrow, but have proved so controversial that the meeting has been post-poned for a further week to solve differences within the Commission. Sir Leon's decision to drop

the question of the undervalua-tion of the company is also bound to cause complaints of partiality to the British Gov.

Eritish Aerospace paid 5150m for Rover when other reports suggested that it was worth some £250m or more. British Government officials have said that there should be no repayment of any supposed undervaluation and have threatened to test any such judgment in the European EC competition policy offi-

cials said that the question of valuation was legally complex and a demand for a repayment might not have stood up in

By David Buchan in Luxembourg

stage for twin-track negotia-tions for monetary and politi-

cal union to begin later this

Mr Gerry Collins, Foreign Minister of Ireland which holds the EC presidency, said a large

majority of states now wanted next week's Dublin summit to call a second intergovernmen-

tal conference to start writing

political reforms into the EC

treaties, alongside the mone-tary union conference already

The basis for this will be a paper on political union, pre-pared by the Irish presidency, which contains something to

please each member. According to a British diplomat, it

as approved by all ministers

including Mr Douglas Hurd, the UK Foreign Secretary.

As on the question of the monetary conference conven-ing last year, Mrs Margaret

Thatcher, the British Prime

Minister, is expected to allow herself be quietly outnumbered

FOREIGN ministers of the 12 European Community members yesterday cleared the stage for twin-track negotia-



Competition Commissioner Leon Brittan: "minimalist"

As the Commission was involved in settling the origi-nal purchase price, it would have had to prove that infor-mation withheld at the time by the British Government would have led it to reach a higher

Sir Leon's proposal, described by one hostile Com-mission official as minimalist", compares with his recommendation last month that Renault should be asked to repay FFr8.4bn (\$1.47bn) in illegal state aid, a proposal that was regarded by the other com-missioners as too strong. · It subsequently had to be watered down following heavy resistance from the French

Government Two other parts of the Rover package remain unsettled.

Dublin summit set to agree on

EC political union conference

porary, unanimity has come about because the Irish paper

entity mainly based on eco-nomic integration and political

co-operation into a union of a political nature" - is a com-

pendium of virtually all the

three months.

ideas thrown up over the past

These range from giving the European Parliament a full right of co-decision along with

the Council of Ministers (an

idea favoured by federally

minded states) to a British-in-spired plan to make the Com-

mission more accountable for

the EC taxpayers' money it

When debate turned to eco-

nomic and monetary union

(Emu) it became clear that the Community's leisurely time-

table on treaty renegotiation was grating on the nerves of Mr Jacques Delors, the EC

president.
Mr Delors, who was critical

on turning the EC "from an

EC transport ministers were yesterday edging towards agreement on measures designed to breathe more competition into the European airline industry. Sev-eral key stumbling blocks in the complex package were removed. But a problem about Spanish access to Lon-don's Heathrow airport and the French Government's demands that it be allowed to continue anheidising certain regional routes were getting in the way of an overall deal. An Irish gov-ernment spokesman said the negotiations were finely bal-anced. Report, Page 3

Some commissioners feel that the 20 per cent stake in Rover recently taken by Honda, the Japanese car group, might contravene the initial agreement with the Commis-

This forbade BAe to dispose of any of Rover's "core busi-nesses" under threat of a penaity of up to £400m.
Sir Leon is believed to regard a minority stake as not

constituting a core holding.

The question of £20m of regional aid to British Aerospace is also causing problems This was granted by the Brit ish Government in one payment in 1988 rather than spread over four years as reed with the Commis The suggested £44m repayment takes no account of this.

further advance preparation by the Commission for the Emu

conference, said there were

half a dozen key questions which might be "technically

easy, but politically explosive,"

The EC executive is to come

up with its final version of

Emu next month. But Mr Delors said resolution of such

ssues as allocation of power between central banking and political institutions, and the

role of the European Currency Unit had to await the Decem-

ber treaty revision. Mr Delors also hit out at

the Bundesbank president,

who last week suggested the

EC might have to move towards a two-speed member-ship in the monetary field. The foreign ministers – who

are apparently jealous of the finance ministers' growing importance in EC busi-

ness - yesterday agreed there should be tight control to

ensure that institutional

changes were consistent with each other, and that they

should be responsible for this.

reserves were held in US dol-lars. Taiwan considered safety,

Its holdings of 13.6m ounces

\$73.6bm. Mr Shieh disclosed that after

the diversification of foreign exchange reserves, only 60 per cent was in US dollars, with about 20 per cent in D-Marks,

10 per cent in yen and the bal-

ance in other currencies,

francs.

ncluding sterling and Swiss

He said this was roughly the

same proportion as that adopted by most industrial



Central Bank Governor price has recently been falling sharply – it was fixed in London yesterday afternoon at \$349.25 an ownce.

Taiwan's \$80bn in official reserves are the largest in the world, having overtaken Japan this year after Tokyo sold hillions of dollars to defend the yen on exchange markets. Japan's reserves stand at \$73.65m. Samuel Shieh: no sale

was being invested to hap the local economy through the establishment of a foreign currency money market in Taipel and the provision of funds to help industry invest abroad to secure raw materials and technology invested.

formed European Bank for Reconstruction and Development, he said it wanted its "learn more about its operations" and was interested in co-financing opportunities with a range of multilateral

countries and "the policy is to keep it that way." Previously, almost all of the currency

# By Peter Montagnon and Robin Pauley in London

profitability, liquidity and economic impact as the criteria for managing its reserves, Mr Shieh said. An increasing proportion was being invested to help the

nology transfer.
Asked whether Taiwan wanted to join the newly-

Although Taiwan's foreign

exchange reserves had been placed with a range of banks around the world, its gold Continued on Page 20

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Even on a good day, a round trip from Central

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the Blue Riband of the Atlantic



Inti. Capital Markets .....

James Sherwood. president of Sea Containers, takes on 150 years of history today as his ferry, Hoverspeed Great Britain, sails from New York to attempt the fastest crossing of the Atlantic by a commercial ship.

Page 31 -London

STERLING New York ck \$1,7135 (1,7065) DM2.8725 (2.89 FFr9.655 (9.7175) SFr2.4275 (2.45) 7263.25 (263.0) £ index 90.4 (90.6) GOLD

SFr1.4165 (1.435) Y153.7 (154.15) \$ index 67.6 (67.9) Tokyo close:Y153.88 US lunchtime re Fed Funds 816 3-mo Treasury Bills: yield: 7.9%

1,189.29 (-0.8%) New York close 2,882.18 (-53.71) S&P Comp 32,376.8 (-161.6)

LONDÓN MONEY 3-month interbank:

Sep 8416 (8516)

FT-SE 100: DM1.6742 (1,68835 2,370.5 (-21.8) 1,911.9 (-14) FT-A All-Sha

STOCK BIDICES

New York: Comex Aug \$352 (352,3) \$349.25 (347.5) N SEA OIL (Argus) Brent 15-day

Chief price changes yesterday: Page 21

and overruled when next of those states still calling for MARKETS

Long Bond: 108 <sup>2</sup>8

DOLLAR

New York close

FFr5.6315 (5.6775)

SFr1.4155 (1.4337)

Y153.60 (153.875)

DM1.676 (1.698)

FFr5.635 (5.695

closing 14월 (14월)%

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out of your day. Every time you fly.

to exploiting the rich the Single Market.

ir Beignade

By Tim Dickson in Luxembourg

EUROPEAN Community Transport Ministers were last night edging towards agreement on measures which should breathe more competition into the airline industry. Several key stumbling

blocks in the complex package were sorted out in early talks yesterday. But a problem about Spanish access to London's Heathrow airport and the French Government's demands that it be allowed to continue subsidising certain regional routes were getting in the way

of an overall deal. An Irish government spokesman said the negotiations were finely balanced. He said Spain, supported by the other Medi-terranean countries, could yet block the accord because of a

dispute caused by the shortage of slots available to Spanish airlines at Heathrow. The so-called second stage of

air transport liberalisation is not likely to bring substan-tially cheaper fares to Euro-pean travellers, but it is seen by Brussels as a vital preparation for the fuller freedoms of the single market from January 1 1993, when fare restrictions and the cosy bilateral capacity and revenue-sharing agreements among EC govern-

ments will disappear. In the meantime, the idea is to set fare "20nes" where member states' approval will be granted automatically, as well as to eliminate in three intermediate steps the capacity-sharing system.

There is concern in the liberal camp that big airlines

could use the next two to three decided that talks on an air years to gobble up their smaller competitors or, worse still, drive them to the wall.

That is why there was some satisfaction last night when broad agreement was reached on new EC powers to curb predatory pricing and other anti-competitive practices. Another issue which was resolved was Denmark's con-cern over the treatment of its

Scandinavian neighbours. Its reservations were lifted when other member states remove any lingering hope of a

transport agreement with Norway and Sweden should begin immediately, before negotiations with other countries of the European Free Trade Asso-

ciation. • In a separate development yesterday, Mr Wilhelm Knittel, junior West German Transport Minister, said Bonn was deter-mined to go ahead with plans to impose a tax on all lorries using its roads after 1 July. His comments appear to

compromise with the European Commission, which says it will take legal action in the Euro-pean Court of Justice. Brussels says the tax -

which will vary from DM2,000 to DM10,000 is discriminatory and against the principles of

 The Commission yesterday decided to initiate proceedings against Belgium for infringement of Community rules on the limitation of noise from

# Serbia rules out elections this year

By William Dullforce

ELECTIONS in the Yugoslav republic of Serbia will be held only after the promulgation of a new constitution, Mr Aleksandar Prija, Secretary for For-eign Relations in the Serbian government, said yesterday.

This means that elections

might be held in 1991 but not this year as demanded by opposition parties, he said.

The new constitution would provide for a plurality of parties and allow minorities full ethnic and cultural rights including education in their own languages, but it would fully preserve Serbia's territo-rial integrity.

The autonomous provinces of Kosovo and Vojvodina, as organised now, presented obstacles to Serbian integrity,

The one-party Communist government of Serbia is under pressure from the opposition to follow swiftly the examples of Croatia and Slovenia, which have already held elections in which the Communists have lost power.

It is also under pressure from 1.4m ethnic Albanians in Kosovo who are demanding Under the timetable Mr Prija

outlined, a new party with a new programme would be formed at a party congress on

July 12.

A constitution, providing for a multi-party political system, would then be promulgated by the existing three-chamber Serbian parliament before the and of the year.

#### By David Buchan in Luxembourg the commission president, yes-terday urged the EC to ready THE EC summit next week will tackle the increasingly its own position and evidently pressing question of aid to the Soviet Union, Mr Douglas found willing listeners. The discussion was, however, described as preliminary and without figures. Hurd, the UK Foreign Secretary, predicted yesterday. He said, after a meeting of EC foreign ministers had dis-

should be considered

carefully says Hurd

Many Europeans, especially the Germans and those from some smaller states, are generally still smarting from the pressure exerted by the US to make sure that the Soviet Union would not be able to borrow from the new European Bank for Reconstruction and Development (EBRD) more than the membership capital it

puts in.

The EBRD, which has yet to start lending, is so far the only institution open to Moscow. Mr Roland Dumas, the French Foreign Minister, mentioned the possibility of the European investment Bank, an EC institution which is already lending to eastern Europe, helping the EBRD get started by lending it

# **Portugal** Accountant | ends Soviet monopoly

By David Waller

ARTHUR ANDERSEN has become the first international accounting and consultancy firm to penetrate the potentially vast auditing market in the Soviet Union.
Although all the interna-

cussed possible assistance for

Moscow at their regular monthly meeting, that "it is urgent that we begin to con-

sider the Soviet economic posi-

tion, but also that we consider it very carefully. We are deal-

ing with a country with abun-dant resources, but suffering from a unique form of misgov-

Therefore, the west and the

Therefore, the west and the EC should think very carefully before putting its money into the Soviet Union, he said.

Next month's Houston sum-

mit meeting of leaders of the seven major industrialised countries and the European Commission will discuss aid to Moscow. In advance of that

meeting, Mr Jacques Delors.

ernment."

tional accountancy firms have a presence in the Soviet Union, they have been limited to doing general advisory work. Under the terms of a formal

registration granted last week, Arthur Andersen will be allowed to audit both joint -ventures between Soviet and western companies as well as Soviet state enterprises and co-operatives.

The vehicle for the firm's

thrust into the Soviet Union is a new joint venture between the firm's West German partnership and Promstroybank, the USSR's biggest bank, and NPO Dinamo, a Soviet indus-trial and engineering company.

# raises rates of interest

By Patrick Blum in Lisbon

PORTUGAL yesterday raised its key interest rates by 1 and 1.25 percentage points, in response to a further surge in inflation last month. Prices rose by 1.1 per cent in May, bringing the average annual rate to 12.8 per cent and the year-on-year rate to 14 per

This underlines the Govern-ment's problems in trying to curb inflation. The Finance Ministry has an inflation tar-get of 9.5-10.5 per cent for 1990, but this looks unlikely to be

achieved. The inflation rate, at over twice the EC average, makes early entry of the escudo into the EMS harder, despite Lisbon's hopes. Interest rates on term deposits of over 180 days rose from 13 to 14 per cent. Home-loan interest rates rose

# Communists clinch victory in Bulgarian elections

BULGARIA'S communists, reshaped to con-form with eastern Europe's reforming trend, clinched vic-

reforming trend, clinched vic-tury yesterday, by achieving a parliamentary majority in the country's first free poll in more than four decades, Reuter reports from Sofia. "It is a vote of confidence," Mr Andrei Lukanov, the Prime Minister (pictured right, with supporters), declared, amid jubi-lation in the streets of Sofia smone supporters of his Bulamong supporters of his Bulgarian Socialist Party (BSP), the former communist party.

The elections, which took place over two rounds on June 10 and 17, made Bulgaria the only country in eastern Europe to have returned its rulers to

former fidence but it has a long way to go to regain the moral authority it had years ago," Mr Lukanov said.

His party won 211 seats in the 400-seat National Assembly. The opposition Union of Democratic Forces (UDF), an alliance of 16 groups which had only seven months to prepare its election campaign, won 132

Despite reporting some elec-toral irregularities in the elec-tion and a number of cases of overt intimidation, foreign observers have generally judged the polls to be fair.

The UDF has alleged fraud in some constituencies but it has

accepted the outcome and resigned itself to a role as the country's largest opposition



# Romania's Government tries to repair image abroad

By Judy Dempsey in Bucharest

The party has regained con-

THE Romanian authorities are desperately trying to repair their image after the violence which swept Bucharest last week, but intellectuals and diplomats say the moves will not prevent intimidation becoming a feature of the country's polit-

After days of criticism from the international community, and growing fears that economic and humanitarian assistance crucial to rebuilding the country's shattered economy will be held back, the Government is embarking on an exer-

cise in damage limitation.

The message directed at western governments, opposi-

tion parties and intellectuals is that President Ion Iliescu and the National Salvation Front-dominated Government remains committed to building

a democratic society.
The Government's image has been battered by its capacity for lying and by its unashamed public support for mob rule. Its first attempt to restore its image came on Sunday night, when Romanian television finally broadcast several interviews critical of the violence meted out to innocent people

It also showed crowds of anti-government demonstrators who that evening had

the shown is likely to enrage the miners, the workers and the security forces, who loathe the students and intellectuals. "This Government has no

"This Government has no idea about crisis management or about how to deal with the media." said a western diplomat. "One day it clamps down, the next day it opens up. The inconsistency breeds even more instability and distrust."

To reassure the opposition of a future role in the country, the Government has promised

Square, where the first wave of violence began last week.

However, allowing the pictures of the demonstrations to be shown is likely to cover a strong into the violence.

The atmosphere of intimide.

The atmosphere of intimidation in the capital remained vesterday , with plainclothes security men confident enough to rough up several correspondents trying to pass through a phalanx of police and army near the Parliament.

Mr Riescu's critics say that if the president and the Government can not everyless mural

ment can not exercise moral authority instead of naked force, then the country will hurch from crisis to violence. stability impossible to achieve. The one tool at the Government's disposal is economic aid from the west. Without such aid, discontent is likely to rise, and renophobia could intensify in a country still ambivalent

about the west. The collusion of these factors could play into the hands of disgruntled communists or nationalists, who remain a powerful and potent force in the country's consciousness. Some of Mr Iliescu's advisers believe the Government must

start providing real proof to

the west that it is committed to

building the foundations for





A BREAKTHROUGH FOR BRITAI

# All services must be included in Gats, EC insists

THE European Community is insisting that all services. including shipping, aviation, banking insurance and telecommunications, be covered by the trade-liberalising General Agreement on Trade in Services (Gats) being negotiated in the Uruguay Round.

EC officials said that in the draft legal text it tabled yesterday, Brussels was seeking meaningful commitment in all relevant sectors". The US wants a separate agreement on financial services, while Congress is considering bills to keep civil aviation outside Gats. Tabling the text is a triumph for the EC Commission, since it has reconciled the varying interests of its 12 mem-ber states. Greece, for instance, was not expected to agree to include shipping in the sectors to be covered by Gats.

The draft comes at a crucial time, when the group negotiating on services in the Uruguay Round nears the end July deadline, by which it is due to deliver a firm outline of a framework Gats. Switzerland also submitted a draft text yesterday. Previous drafts have come from the US, a group of South American nations, and

seven developing countries. In April, the US and EC submitted jointly proposals on how to begin liberalising. This week, the negotiating group is working on reaching agree-ment on the nature of the initial commitments countries should make and on the mechanics of the liberalisation

In its Gats blueprint, the EC proposes that liberalisation of the \$600bn (£355bn)-a-year trade in services allow for cross-border movements of both services and consumers and the right of providers of services to set up a commercial

presence in other countries. Governments would accept principles of national treatment and non-discrimination. providing foreign companies with treatment no less favourable than offered to domestic mpanies. They would agree to add no new curbs on access to their markets from the proposed entry into force of the Gats on January 1, 1992.

Each government would specify in a schedule any existing curbs on market access, inconsistencies with the agreement in its provision of national treatment, and in the subsidies offered to providers of services. Within three years, or partial elimination of the curbs and inconsistencies "on a reciprocal and mutually advantageous basis". These commitments would

take into account each country's level of development, generally and for each individual sector. The Europeans say their Gats blueprint covers developing countries, which fear an all-embracing Gats could inhibit growth of their

domestic services concerns.

The EC plan provides for "co-operation" to block the restrictive business practices developing countries fear from

# Saab truck deal with Iran

By Robert Taylor in Stockholm

SAAB-SCANIA, the Swedish car and aerospace group, has reached agreement with the National Iranian Oll Company for it to buy 1,000 Scania heavy

trucks.
Financial details of the deal have not yet been settled but total value of the sale is expec-ted to be about SKr400m

The first deliveries will be made this November and the

during the first quarter of next

year.
The deal comes at a fortunate time for the company, when there are clear signs of a dampening in demand for trucks in the western Euro-

The last time Saab-Scania sold trucks in the Iranian market was in 1984 and 1985, when around 2,000 were bought for Iran's container transport

# **US** eases technology licence burden

Washington

UŠ Commerce Department yesterday said it had prepared an "interim" rule which meant individual export licences would no longer be required on about \$30bn (£17.75bn) worth of low and mid-level US technology products sold in western coun-

Dennis Bloske, Departunder secretary, said the rule, in effect in about two weeks for "a significant num-ber of goods", would ease much of the heavy paperwork requirements for American exporters.
The new procedure would

scrap individual licences now required for all telecommunications exports, most semiconductor manufacturing equipment, and computers with a processing data rate (PDB) of up to 2,000. Computers above PDR 550 now require licences. A spokesman for the Com-

puter and Communications Industry Association characrecised the new rule as a "good" initial move but insisted: "It still doesn't make sense to have that level of con-

"It is our hope that by the end of the year, when they agree on a core list (of controlled items) and have some of the enforcement improve-ments in place, we can then really see a move to a licence

A number of items, considered to be of strategic importance and at high risk of diversion to the Soviet Union, will continue to require individual licences. This much abbreviated ated "exclusion list" will include equipment for advanced underwater detection and cryptography.
Mr Kloske said more decon

trols on West-West trade will be instituted on April 30, when the harmonisation pro-

cass is likely to be completed.
The new rule follows agree ment this mouth in the 17-na-tion Co-ordinating Committee for Multilateral Export Controls (CoCom) to liberalise con-straints on high-technology sales to eastern Europe and harmonise Western export control regimes.

By Nancy Dunne in

caused more confusion in the rush towards German economic union than the future shape of East Ger-many's trade with the Soviet Union and the rest of the former East Bloc. When Chancellor Helmut

Kohl earlier this year promised Moscow that trade contracts with East Germany would be honoured after re-unification, it was widely seen as a gener-ous offer designed to calm fears about German unity. It was an offer, moreover, with the positive side effect of cushioning a section of East German industry from the blast of vestern competition.

Today Mr Kohl's offer appears to have been no more than a vague gesture of good-will. At the beginning of next year all but about 10 per cent of Soviet-East German contracts will come up for re-negotiation - and may come out of it on quite different terms.

And even earlier, in most cases directly after currency union on July 1, the financial basis of Soviet-East German trade will change from the artificially-valued East German "valuta marks" to D-Marks against the transferable rouble. The final step to a complete hard currency system will be taken next year, as planned even before last year's political changes in eastern Europe.

For a period, estimated at anything between one and fiv-eyears, a form of "clearing house" system will be needed,



THE CHALLENGE OF UNITY

as normal trade between companies gradually replaces barter deals between states arranged by central planners. So despite Mr Kohl's offer rapid restructuring of trade relations is imminent. More unexpected, it appears the beneficiaries will, at least in the short-term, be the Soviets and

not the East German That, anyway, is the view of many East German bosses who believe their Soviet (and wider East Bloc) trade is threatened almost as much as their pro-tected home markets by cur-rency union and associated

changes.

Estimates vary, but about a quarter to a third of all East German foreign trade is with the Soviet Union and about one-tenth of all Soviet trade is with East Germany. Its total value is roughly 15bn transferable roubles a year. East Germany imports mainly raw materials or semi-finished products as well as almost all its gas and oil from the Soviet Union. East German exports are mainly investment goods. The transport equipment industry is highly dependent on the Soviet market, as are machine tools and plastics. agricultural and textile

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nomic institute in West Berlin

reckons the Soviet union pays

move to hard currency trace

will cut the value of machinery

exports by about 3bn East German marks.

On top of that the Soviet Union will be free from next

year to shop around the world

for their investment goods:

East Germany may have produced the best goods in Com-econ, but worldwide it can

compete in only a few niches

and will thus have to slash

It is easy to appreciate the anxiety of East German bosses

and to understand why the

debate in West Germany now focuses on how much will be

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3.9

Soviet Union

Soviet Union

The pain of cutting Moscow's apron strings

machinery. Some 15 per cent of all East German industrial jobs – about 260,000 directly. and 480,000 indirectly - depend on Soviet trade. The Soviet Union appears to have been generous in trade relations with its satellites. According to Mr Valentin Falin, the Germany expert on the central committee of the Soviet Communist Party, the Soviet Union would have received \$7bm more last year if

its trade in the Moscow-led

socialist common market Com-econ had been calculated in world market prices, \$1.5bn alone from East Germany. That is now ending. The conversion from an over-valued valuta-mark to D.Marks (which used to be officially exchanged at one-to-one) will be a drag on the East German terms of trade. Under the existing sys-tem, 4.67 valuta marks equal one transferable rouble. On conversion, the East Germans want a rate of DM2.5 per trans-ferable rouble, while Moscow is holding out for a more realistic

When trade fully changes to hard currency and world market prices next year the East Germans will have to pay more

E Germany stands to lose at first as its trade goes to market, writes David Goodhart EAST GERMANY by the new terms of trade, Bonn hopes to get away with 1989 1989 DMChn in support for compa-nies with Soviet contracts. ble that.

East Berlin wants at least don-But things may not be as bad as they seem. Mr Karl-Her-mann Fink, East bloc trade expert of the Federation of German industry, believes that at least for a transitional period the Soviet Union will not be

flexible enough to take advan-tage of its trade freedom. Mr Machowski also says the Soviet Union cannot abandon for their Soviet imports and they will receive less for their own goods. Mr Heinrich Machowski of the DIW eco-East German technology imme diately and would not be able to use state-of-the-art-technology. He also believes East Germany's accumulated 2bn transferable rouble trade surplus with the Soviet Union will help about a third more than world market prices for most finished goods from East Germany. East German experts say the

cushion the blow. About 15 per cent of all Soviet trade is with the two German states combined, and the consensus is that, despite transitional difficulties, it will grow rather than shrink. But how much of that future trade will actually come from what today remains East German soil is harder to judge. Many West German firms

have said East German compa-nies' Soviet trade links are the only thing that makes them attractive. The West Comman RWI Economic Institute has, however, pointed out that Rus-sian-speaking Soviet trace experts can easily be purched without having to buy a whole company.

# Piaggio may link with Indian scooter maker

By David Housego in Bombay

scooter maker, could shift most of its production to India, fol-lowing talks taking place with Bajaj Auto, India's largest

Plans involve Plaggio trans-ferring to Bajaj plants in India about 70 per cent of its annual output of 700,000 scooters and mopeds over the next five to seven years. The two groups have given themselves until March 1991 to decide on whether to finalise an agree

Bajaj Auto, with an annual output of 800,000 two wheelers, has already over 40 per cent of the Indian market, and is the

world's second-biggest scooter maker after Honda. If an accord is reached, it would be the largest tie up yet negotiated by an Indian engineering concern with a foreign group to make products to be marketed globally. keted globally. Piaggio's aim in negotiating

a partnership is to cut costs in the face of Japanese competition. Bajaj is seeking acce Vespa's design capability, tech-nology and research and development to improve its competi-

Mr Rahul Bajaj, chairman, believes his group cannot look to partnerships with Honda, Suzuki and Yamaha, which see

him as a potential competitor. In the past year, Mr Bajaj has met Piaggio executives, and teams from each group has visited the other. Under the proposed tie-up. Piaggio would initially shift part of its component making to India.

While Piaggio would keep control of European marketing, and Bajaj in India, the two

groups would set up a new company on a 50-50 basis, to market elsewhere in the world. They would pool research, designs, technology and com-ponents. The two sides have also considered an equity swap but have decided to make any decision on this depend on the

smooth running of the accord. One problem is that Piaggio already has another tie-up with smaller indian manufacturer Lohia Machines (LML) which makes a 150cc scooter under licence from the Italian company. Piaggio will keep its accord with LML until 1994. while taking a stake in the company to offset unpaid roy-

The Piaggio-Bajaj link-up would transform Bajaj into an international group. So far, its expansion has been geared to the Indian home market, with both exports and R&D accounting for about 1 per cent each of sales.

### Thailand 'dumped ball bearings'

THE European Commission has found Thalland guilty of dumping ball bearings on the European market and yesterday announced a 6.7 per cent dumping duty, Lucy Kellaway reports from Brussels. It said it had received a Thai Govern-ment pledge to stop subsidis-ing ball-bearing output. The duty applies to all Thai ball bearings of less than

sumer and capital goods. Evidence was found of four different types of subsidy, equal to 13 per cent of import price. In the year to March 1988, the That share of the European market rose from under 1 per cent to 9 per cent.

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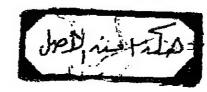
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### **AMERICAN NEWS**

# accord falls short of full integration

By Tim Coone in Guatemala City

CENTRAL AMERICA'S presidents have launched with much fanfare a Plan of Eco-nomic Action following their weekend summit, which for the first time included Pan-

The plan aims to boost intra-regional trade, exports, foreign investment and tourism and to co-ordinate macro-economic policies with a view to the eventual formation of an "Economic Community of the Central American Isthmus."

President Vinicio Cerezo of Guatemala, who hosted the meeting, described the agreement as "transcendental and historic". He said the region's economic integration was the key to its development and that "a greater and more just distribution of wealth is the distribution of wealth is the only way to break the circle of

None the less, the summit fell short of taking more sub-stantial measures to harmonise the region's diverse set of customs tariffs, exchange rates and monetary and fiscal poli-cies. These remain as obstacles to freer trade and foreign investment in the isthmus.

Key points of the plan are: • to co-ordinate infrastruc-tural projects in the region which affect land and maritime transport and electricity generation and transmission; to co-ordinate foreign debt

negotiations;
• to promote jointly the region's exports, and its poten-tial for tourism and foreign

investment through each country's embassies overseas;

to request an expansion of the Caribbean Basin Initiative to promote exports to the US, and to negotiate a preferential trade agreement with the EC similar to the Lome Conven-

tion;

to simplify customs and migratory paperwork to promote the movement of goods and people in Central America;

to reduce non-tariff barriers to regional trade and to reduce customs tariffs.

customs tariffs.

Efforts to establish a Central
American Common Market in
the early 1960s had collapsed
by the following decade, as
trade imbalances led to political tension and even to the outbreak of war in 1963 between El Salvador and Honduras. Regional trade stagnated fur-ther in the 1980s as foreign debt problems and political vio-lence took their toll.

According to Mr Olivier Castro, the executive secretary of the Central American Monetary Council, accumulated bilateral debts among the region's five countries now stood at \$700m (£414.2m). This is mostly owed by Nicaragua and Honduras to the other three countries.

In addition to the economic accords, firm pledges were again made by the presidents committing their governments to respect of human rights, freedom of expression and to improvements in their systems of political representation.

# Mexico wins Mandela loan to fight praise for pollution

By Richard Johns

JAPAN has agreed to make an \$815m (£482m) loan, to help Mexico combat its pollution problems, the Mexican press reported yesterday.

The announcement was the

main outcome of President Carlos Salinas de Gortari's visit to Tokyo as part of an attempt to consolidate rela-tions with the Pacific Basin countries.
Of the total ski commitment,

\$315m will be devoted to cutting pollution by Petroleos Mexicanos (Pemer), the cashstarved state monopoly. Terms of the loan were not

to account for as much as 80 per cent of the pollution in the Valley of Mexico, with industry

accounting for the rest. one of the world's biggest envi-ronmental problems, after the devastation of the world's rain forests. However, one British specialist visiting here recently said some east European indus-trial zones were more badly

Japanese officials said aid from Tokyo for the clean-up would have been available much earlier if the Mexican Government had drawn up plausible, specific proposals when Mr Toshiki Kaifu, Japan's Prime Minister, visited Mexico City last year.

# Mulroney

By Bernard Simon in Toronto

Mr Nelson Mandela, deputy president of the African National Congress, yesterday praised Mr Brian Mulroney, the Canadian Prime Minister, for his country's unrelenting opposition to apartheid at the UN and in the Commonwealth. Speaking to the House of Commons in Ottawa at the start of the North American

commons in Ottawa at the start of the North American segment of his gracilling oversess trip. Mr. Mandela asked Canada to "stay the course with us" while black and white South Africans negoti-

ated a new constitution In particular, Mr Mandela made a plea for financial assisthe mainstream of South African domestic politics. He asked MPs to urge their constituents to contribute to the

Mr Mulroney has made South Africa a key part of his Conservative Government's foreign policy, much to the irritation of Mrs Margaret Thatcher of Britain, with whom he has clashed at several Commonwealth meetings. Canada has imposed a wide range of sanctions against Prebreaking all trade links or cut-

ting off diplomatic relations. The Canadian Government has declined to provide finan-cial support directly to the ANC.

# **Amnesty lists police** atrocities in Brazil

By Christina Lamb in Rio de Janeiro

BRAZILIAN authorities have been accused of turning a blind eye to widespread murder and torture by police officials, in a damning report by the human rights organisation Amnesty

International.

The report, published in Brazil yesterday, called on the Government of President Fernando Collor de Mello to stop what it called "rampant civil and military police violations" and end the "crisis in Brazil's criminal justice system".

Amnesty officials said that police officers routinely tortured and killed suspects in

tured and killed suspects in tured and killed suspects in custody and ran death squads, often to settle personal feuds. "knowing such crimes are rarely punished". The report claimed torture was so common that highly-placed officials admitted it was one of the

main techniques the police used to "solve" crime.

It cited examples of prisoners being suspended by their wrists and ankles from iron bars, beaten and given electric shocks while jets of water were

forced up their nostrils.

This is the first time a report on a particular country has been released in the country concerned, rather than at the organisation's headquarters in London. The move will test the commitment of the new government to protecting human

Brazil returned to civilian rule in 1985 after 21 years of army rule, but despite the introduction in 1988 of a new

**BRAZILIAN** civil servants were kept waiting yesterday for the expected announcement of up to 360,000 job cuts promised by the Gov-ernment of President Fer-pando Collor, writes Chris-

Mr João Santana, the administration secretary, who is responsible for com-piling the list of cuts, issued no statement. A representa-tive said he was still waiting for details from some of the 12 ministers, "We are still expecting to announce 360,000 dismissals, but so far we are only up to 79,000,"

constitution which banned torture and guaranteed human rights, the Amnesty team found these were not being implemented.

The report covers the period 1985-90, before President Col-lor's Government came to

"Brazilian citizens, espe-cially the young and the poor, are increasingly victims of police brutality," it said, adding "generally the authorities fail to take action."

According to Amnesty, cor fessions extracted under torture have been frequently used as evidence. "Brazilian state governments are in effect condoning this violence and encouraging police to act as if they are beyond the law by not clamping down on the killers."

# Central American Thrifts scandal casts a shadow over Washington

Politicians outside the capital stand to gain most from the S&L débâcle, writes Peter Riddell

he savings and loan crisis is "the biggest sleeping giant on the political landscape," according to Mr Ed Rollins, the head of the National Republican Congressional Committee. In the last couple of weeks there have been signs that the glant is stirring.

stirring. Mr Nicholas Brady, the US Treasury Secretary, and other senior officials responsible for the rescue - the largest in US history — faced a barrage of hipartisan complaints when they appeared recently before the House Banking Committee. There were complaints not only about slowness in prose-cuting fraud but also of mismanagement of the rescue. Separately, there have been calls for an independent investigation of the affair.

much as Republican Congress-men and the Reagan Adminis-tration were responsible for the key decisions of the early 1980s, such as the increase in the upper limit of Federal insured deposits to \$100,000 and the deregulation of their activities, which contributed to the later execulative boom and the later speculative boom and

so far been the main political victims. Mr Ferdinand St Germain, who had been chairman of the House Banking Committee, was one of the 2 per cent of House members defeated in 1988, following questions about gifts from industry lobbyists. Mr Jim Wright, the Demo-cratic House Speaker, and Mr Tony Coelho, the House Major-

Prominent Democrats have

their links with S&L execu-tives and intervention with regulators. Both received contributions from employees of the failed Vernon Savings and Loan, whose former owner, Mr Don Dixon, was last week indicted on 38 charges of con-spiracy and misapplication of funds.

scandal involves the Keating Five or the Lincoln Brigade -the five senators currently the five senators currently being investigated by the Sen-ate Ethics Committee about whether they improperly put pressure on Federal regulators who were examining the now failed Lincoln Savings and Loan run by Mr Charles Keat-ing. He had given or raised

It has been hard to apportion ity leader, were forced to \$1.3m (2760,000) for the five — the blame. Democratic as resign a year ago in part four of whom are Democrats, much as Republican Congress-because of controversy over including Senator Don Riegle, four of whom are Democrats, including Senator Don Riegle, chairman of the Senate Banking Committee.

The Bush Administration care into effect provising to

came into office promising to clear up the mess, but is facing growing criticism as the cost of the rescue mounts — up from \$73m to \$134m according to the Treasury (in present value terms and excluding interest costs) and substantially more on some outside estimates. But the Administration is in

a no-win position. It has an unlimited liability as a result of the Federal guarantee to depositors while costs are increasing as a result of falling property prices and higher than expected interest rates. Together these factors make it

However, if both parties in Washington find it hard to make the affair a clear-cut partisan issue, it may be easier for those outside the capital who are not involved. Several politi-cal consultants have suggested that it might become a way for challengers to attack incumbents, a potentially powerful populist issue. Governor Mario Cuomo of

New York and Senator Bill Bradley, who voted against last year's rescue legislation, won applause when they argued that ordinary Americans were being forced to bail out millionaires. Both are running for re-election this November and are on everyone's list of possible Democratic presidential candi-



# New York business warned over threat of telecoms failure

NEW YORK, with more than \$1,500bm (£887bn) of financial transactions flowing through its telephone lines each day, must take steps to ensure each day, must take steps to ensure its telecommunications system can better withstand disasters, a city lobby group has concluded, writes Roderick Oram in New York.

Mr Ronald Shelp, president of the New York City Partnership, an association of business and civic leaders, said: "We cannot afford to gamble

with either the system's ability to resist disasters or its status as a technological leader."

Although the city's telecommunications equipment might be better than that of other big financial centres, such as London and Tokyo, the hazards were greater in New York, said Mr Michael Tyler, head of the information technology practice of Boog Allen & Hamilton. The consulting firm's report for the partnership on

two months to restore. However, the Booz Allen study found a number of big New York financial institutions had no telecommunication back-up.

had no telecommunication back-up.

"If we were stockholders, we would be
very concerned." Mr Tyler said.

The partnership urged companies
in the city's business districts to have
two separate phone feeds into their
buildings and routings to two central
office switches. Regulatory changes
would enable phone companies to pro-

vide such back-up more efficiently and cheaply.

and cheaply.

The group also called for reductions in the cost of the city's telecommin-cations. Local calls, for example, can be as much as 50 per cent higher than in neighbouring New Jersey.

Regulatory changes would also encourage investment in new products and services to help the city retain its technological competitiveness, the group said.



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# By K.K. Sharma in New Delhi SENIOR officials of the Foreign Ministries of India and Pakis-

tan are to meet in the first fortnight of July to discuss ways to ease tensions between the two countries, an Indian government spokesman announced in New Delhi yes-

The meeting will be the first between representatives of the two countries since relations deteriorated rapidly at the beginning of the year when a Moslem insurgency aimed at gaining secession of Kashmir from the Indian Union began.

Since then, there have been heavy troop concentrations along the Indo-Pakistani bor-der, giving rise to fears that a war would break out over the Kashmir issue.

Leaders of both countries have accused each other of interfering in their internal The suggestion for a meeting

at official level was made by Pakistan a fortnight ago in response to a package of "con-fidence-building" measures proposed by India after a token withdrawal of an Indian amoured division from near the Pakistan border.

Pakistan had then expressed reservations over India's package on the ground that this did not mention the main issues causing the current tensions-the Kashmir issue and the

India's package calls for measures such as closing training camps to militants, halting supplies of arms and ammuni-tion to them and seizure of all potential intruders. It also proposed sharing information on military exercises, frequent contact between army com-manders and exchange of dele-gations of their armed forces. The Indian spokesman said his country had agreed to Pakistan's proposal for a meeting of senior officials because of "our willingness and readiness to engage in a purposeful

dialogue. Nevertheless, India is certain to resist moves for talks on the merits of the Kashmir issue since it consider's the state's sion to the Indian Union as final.

India wants Pakistan first to agree that it will not encourage secessionist demands by the Kashmiris and give assurances that it will not raise the Kashmir issue at international

India has reiterated that it stands by the Simla agreement of 1972 which calls for a settlement of the Kashmir issue through bilateral talks.

PLANS for a high technology "City of the Future," being developed jointly by Japan and Australia, have moved a step

closer to reality after a joint steering committee named the

Gold Coast area of Queensland as the preferred site.

the committee, said the so-called Multifunction Polis

(MFP), should be built on 4,700

hectares of mostly private land

at Coomera, between the Gold

ferred a single greenfield site

for the city, rather than the

multiplicity of sites proposed by bids from the states of New

The committee said it pre-

Mr Will Bailey, chairman of

# Seoul expects economy to show faster growth this year

THE South Korean economy will grow by about 9 per cent in real terms in 1990, recovering from its slowdown to a growth rate of 6.7 per cent in 1989, a leading think tank is

However, the government-backed Korea Development Institute also warned that consumer prices would rise by 12 to 13 per cent this year, the highest inflation rate since 1981.

By John Ridding in Seoul

a sharp increase over the Government's beginning-of-year target of a 7 per cent increase and follows a much stronger than anticipated growth rate of 10.3 per cent in the first quar-

Unlike the 1980s, when double-digit economic expansion was based on

strong export performance, the principal stimulus for growth in 1990 will come from domestic demand. In particular, a domestic construction boom and strong consumption will contime to fuel growth, while exports

are expected to remain sluggish. According to the KDI, exports will strengthen in the second half of the year as the impact of moderate wage increases and the depreciation of the Korean currency feed through. But

export growth will still be limited to a meagre 3.8 per cent and Korea is expected to register deficits of almost \$2bn (£1.2bn) in both Its current account balance and external trade

The KDI expressed concern about the sharp increase in inflation, which is set to sour above the Government's target of 5 to 7 per cent for the

The institute said that the rate of

price increases could reignite labour disputes and establish a wage-price spiral, and that the Government should tighten liquidity, reduce domestic consumption and take steps to improve industrial productivity-

GNP growth is expected to be 10.4 per cent in the first half of the year, and 7.5 per cent in the second half, in 1891, the economy is forecast to grow by between 8 and 8.5 per cent, with

# The forecast growth rate represents World demand refloats South Korea's shipbuilders

An industry recently hit by a slump and labour troubles is now back on course, writes John Ridding

SOUTH KOREA'S ship-building industry, which floundered in a trough of reduced international demand price wars, and overcapacity during the 1980s, is firmly back on course.

According to figures released earlier this month by the Korea Shipbuilding Association, South Korean shipyards received orders for 67 vessels totalling 4.37m gross tons in the first five months of the

This represents a more than three-fold increase over the 1.33m tons of new orders received in the same period in 1989 and guarantees enough work to keep Korea's yards busy beyond the end of 1992. The backlog of orders stands at a record 9.32m tons.

These figures represent a marked contrast from what existed just two years ago. An international slump in world shipping demand in the mid-1980s was made worse in Korea by the timing of investment in capacity expansion and increased labour militancy. Burdened with huge debts,

wage increases of more than 15 per cent a year and prolonged labour disputes, a number of the manufacturers faced serious difficulties. Daewoo Shipbuilding, the second largest, suffered most severely and required a government-backed rescue package to ensure its

Korea Shipbuilding and Engineering Corporation suf-fered a costly contract dispute with a Norwegian shipping

SOUTH KOREA Production of four biggest shipyards (gross tons) Hyundai 1.698 839 1.190.500 1,239,000 1,154,100 Korea Shipbuilding and Engineering Corp Samsung 191,800 266,250 NEW ORDERS, COMPLETION, ORDER BOOK

(000s gross tons) 1959 1990 (Jan-May) New Orders Completion Order book Source: Korea Shipbuilders Association

"Probo" vessels - ships which can transport oil, bulk freight or container cargo. KSEC's financial difficulties forced the Government to intervene and after a bidding process the company has come under the control of the Hanjin industrial

group.
Of the four leading yards, only Hyundai Heavy Industries, the largest in Korea, reported a profit in 1988.
"Things are very different now," says Mr Less Sang Kuk, executive director of the Korea Shiphuilders. Association. "We Shipbuilders Association. "We expected an upturn but have been surprised by the strength of the market so far this

The changed fortunes of the industry are the result of a number of coincident factors.

industry. Demand has been strong for VLCCs (very large

in the 1970s. There have also been increased orders for container vessels, which reflects the growth of international trade and the trend towards contai-

crude carriers) as a result of the replacement of fleets built

"The cycle of replacement demand has combined with reduced international capacity resulting from the numerous closures of yards in the 1980s," says Mr Lee, "and this has created a sharp rise in orders and

prices."
According to Mr C. H. Cho, vice-president of sales at Hyundai Heavy Industries, a VLCC costing \$40m in 1985 would now command a price of between \$55m and \$50m. companies tends to be the Jap-anese yards, the combined capacity of which represents about 40 per cent of the world total. But the sheer weight of demand and the emphasis on quick delivery has prompted a diversion of orders to neighbouring Korean manufactur-

There has also been strong demand from the Soviet Union, which placed orders totalling 1.98m tons in the year to the end of April.

The question is, of course, how long the boom years will last in such a notoriously cyclical industry. Most analysts expect that demand will conexpect that demand will continue to be strong at least until the middle of the decade. A report issued last week by Mitsui O.S.K., the large Japanese shipping company, forecast that moves towards the imposition of double hull and double bottom requirements on oil tankers and the increase in crude oil imports into the US would result in increased demand for tankers. Mr Cho estimates that up to

60 per cent of the world's tanker fleet is more than 12 years old and will need replac-ing in the next five to 10 years. The market for container vessels is also expected to remain

There are none the less a number of potential concerns for the Korean shipyards. The est immediate is the continuing threat of industrial dis-putes which have caused widespread disruption at most of Korea's shipyards over the past few years. So far this year,

Cambodian

CAMBODIAN guerrillas said

yesterday they had evacuated a strategic provincial capital hours after capturing it on

Sunday, saying they feared for the safety of civilians, Reuter

guerrillas

'success'

relatively peaceful.

"Labour and management are becoming educated and we feel there has been a general improvement in the process of negotiations," says Mr Lee. But many analysts remain to be convinced that the current industrial peace represents a long-term prospect for Korea's industrial relations problems.

Korean shipyards, like many other Korean industries, find themselves sandwiched between the market leaders in and emerging competition from new lower-cost producers. Ships made in Korea are no longer cheaper than their Japa-nese counterparts because of rising domestic costs and the more attractive financing schemes available in Japan. At the same time, producers in

> But there seems to be little immediate threat to Korea's position as the world's second-largest shipbuilding nation or to its 20 per cent share of the world market. Japanese yards are suffering from a shortage of skilled labour and are diversifying into higher-value added industries.

countries such as China and

Brazil are emerging as a poten-

At the other end of the scale, the emerging producers find it difficult to achieve the productivity and reliability of the Korean yards and their indus-trial infrastricture and supporting industries are generally less developed.

"Over the last four or five years shipowners have already been testing the new producers

industrial relations have been but have often been disappointed by delays in delivery and reliability," says Mr Ken Lee of Barings Securities in Seoul. None the less, Korean shipbuilders accept that new lower cost manufacturers will

become more competitive.

Their response is likely to be similar to that of their Japanese counterparts which have diversified their activities and concentrated on the production of more sophisticated

Daewoo Shipbuilding will next year start to manufacture small passenger cars in collab-At Hyundal, productivity is being improved through the introduction of computer-aided

design and new products are being introduced.

"We have already started to manufacture offshore oil drilling equipment and power gen-erating plants," says Mr Cho. Research and development efforts are also being focused on the manufacture of new classes of vessels.

"At the moment we make everything except LNG (liquefied natural gas) carriers and cruisers," says Mr Lee.
"But we expect to be making LNG carriers by the mid-1990s as the Korean Government expands its imports of LNG from Indonesia.

By that time, the current international shipbuilding boom may be drawing to an end. But with three or four years of improved profitability behind them, Korea's yards will be better placed to weather any storm.

# Japanese PM admits his aide sold shares despite ban

By Stefan Wagstyl in Tokyo

MR Toshiki Kaifu, the Japanese Prime Minister, ves-terday admitted that one of his aides had sold shares only days after his Cabinet last year agreed a ban on all stock dealing by ministers and senior officials.

The disclosure could harm Mr Kaifu's clean political image. Share dealing by politi-cians is frowned upon by the Japanese public because it is often associated with insider trading and other abuses.

Seeking to minimise the political damage, Mr Raifu toid renoriers yesterday that he had known nothing about the transaction and apologised for having inadequately super-vised the aide, Mr Mitsuo

According to Japanese news-papers, Mr Ando sold about Y30m (\$194,800) worth of one stock and used the proceeds to buy shares in Meitec, a factgrowing computer software company. The holding is now worth about YSOm. Mr Ando told a press conference he had dealt on his own behalf.

A han on stock dealing by senior government officials was one of the first measures agreed by Mr Kaifu's Cabinet shortly after its inauguration last August following the Recruit scandal. Ministers were required to entrust their holdings to fund managers.

6 The Tokyo Stock
Exchange's key Nikkel index
fell 161 points on Monday,
partly as a result of the Asahi

story, Reuter adds from Tokyo, In June 1989, the Recruit shares-for-favours scandal forced Prime Minister Nobere Takeshita to resign.

Mr Kaifu's popular support is now at the highest level for any prime minister since pub lic opinion polling started in 1964, partly due to his clean image. World Stock Markets,

# Sri Lanka declares war on Tigers

By Mervyn de Silva in Colombo

THE Sri Lankan Government declared total war yesterday on Tamil separatist guerrillas waging a week-old offensive which began with a spate of attacks on police and army

However, the Queensland state government will have to move

quickly to solve a dispute over

land rights in the area if the Gold Coast proposal is to go

of June 21 for the land rights

issue to be solved, warning

that it would recommend an alternative greenfield site near Adelaide, South Australia, if

the dispute was not solved in

The committee's final recommendation is expected to go before the federal cabinet early

next month, when a further

six-month feasibility study is

expected to be approved.

The committee set a deadline

beses in the north and east.
"We will annihilate the Liberation Tigers of Tamil Eelam, take over the east and then go for the north," Deputy Defence Minister Ranjan Wijeratne told parliament. Speaking during a debate on extending a state of emergency

for another month, Mr Wijer-atne said 600 rebels had been killed since fighting broke out

Departing from recent prac-tice, the opposition abstained on the monthly extension of the emergency. It has always opposed the extension arguing that the emergency laws had led to gross human rights abuses, including harassment of the Government's critics. Some MPs raised the possi-bility of a "national govern-

prompted strong criticism from

prompted strong criticism from the Liberal/National Party coalition, which made the MFP an issue during the federal election in March when it suggested the city might become a "foreign enclave." Mr Iam McLachlan, the Oppo-

sition spokesman on the issue, said the coalition "remains

firmly opposed to the separate

city concept."

Mr McLachlan said the city

was likely to require govern-ment funding for infrastruc-ture, and might not yield a benefit to Australia for 20

"The implications for this for

be approved. our foreign debt must be announcement closely examined, together

ment" to meet the insurgency

threat.
The Government yesterday saked for a supplementary vote of 5bn rupees (\$128m) for the defence ministry in view of the "deteriorating security situa-tion" in the Tamil north and

In the mid-November, bud get, the defence vote was 10hn rupees, 10 per cent of total expenditure and about 5 per cent of GDP as compared to 1

with the intention to compulso-

rily acquire, perhaps within six days, the rights to a large area of privately-owned land," he said.

The MFP is intended to bene-

fit Australia by promoting technology transfer from Japan, increasing participation in the Asia/Pacific economy.

and providing a showcase envi-ronment to build on perceived strengths in areas such as edu-

cation, health and information

A feasibility study has con-cluded the city should have a population of between 100,000

and 200,000. Construction is scheduled to start by 1992.

# "Due to the large civilian population living in the city and for security reasons our forces evacuated and withdrew to the surrounding positions, said a statement by guerrilla Sydney picks site for City of Future forces loyal to former Cambodian leader Prince Norodom

The guerrillas were battling

government troops on the out-skirts of Kompong Thom, a Sihanoukist spokesman said. They had seized the town, 100km north of the capital Phnom Penh and the gateway to three northern provinces, at sam on Sunday.

Different guerrilla reports indicated that a combined force of communist Khmer Rouge and two western-backed nationalist groups took part in Sunday's attack, a develop-ment which could fuel controversy over US support for the guerrilla alliance fighting the Vietnamese-backed Phnom Penh Government. An earlier report on Khmer

Rouge radio said the first assault was launched by Khmer Rouge and Sihanoukist

# Saddam threatens Israel for attacks on Arabs

By Victor Mallet, Middle East Correspondent

PRESIDENT Saddam Hussein of Iraq yesterday repeated his threat to attack Israel in response to any Israeli aggression against Iraq or the Arab world, but he denied sugges-tions that he wanted to launch a first strike. "We say we will strike them with all weapons we possess if they launch an aggression on Iraq and the

Arabs." he said.
The message of last month's summit in Baghdad, according to Mr Saddam, was that "he who strikes the Arabs... will be

hit by all of us, each according to his potential". Western governments are likely to greet with dismay his latest declaration, made at an international conference of Moslems in Baghdad. They are already concerned about increased Middle East tensions following the resurgence of Iraq after the Gulf war and the creation of a hardline government in Israel this month.

Mr Saddam's implied threat to attack Israel if it attacks Araba other the Israel is not a same and the Iraquia is not a same and Iraquia is not a same a

Arabs other than Iraqis is par-ticularly disturbing; this could be taken to include Israeli

assaults on the Palestinians in the occupied territories. Yesterday President Saddam was critical of those who toler-ate Israeli expansionism and was adamant about the need to defend the rights of Palestin-ians. "Palestine for Palestin-

Officials from Iran and Iraq have begun talks to prepare for direct peace negotiations, Iran's President Ali Akbar Hashemi Rafsaujani said yesterday, Reuter reports from Nicosia. Irna, the offi-cial news agency, quoted Mr Rafsanjani as saving representatives from the two Gulf war foes were holding preparatory talks. President Saddam Hussein of Iraq had pro-Rafsanjani in letters last month. Iran gave a cautious welcome to the initiative but said lower-level talks had to

ians," he said. "Al-Quds (Jeru-salem) is for us and not for the enemies of Islam."
Although there may be an ment of bombast in Mr Saddam's threats against Israel, he has evidently decided to locus on the issue as a way of increasing his standing in the

be held first.

Arab world, while trying to make peace on his eastern borders by restarting the dead-locked peace talks with fran.

Syria and Libya have contributed to the mood of tension in the Middle East in recent days. At the weekend Col Muammer Gadaffi, the Libyan leader, urged his people to build a nuclear bomb as soon

# **UK** proposes two Saudi offset deals By Victor Mallet

BRITAIN has made two new proposals for investment in Saudi Arabia as part of a £1bn offset programme linked to British defence sales, Mr Alan Thomas, head of export services at the Ministry of Defence, told a Confederation of British Industry conference in London vester-

DAF NV of Eindhoven, in association with British Aero space - the main contractor for the Al-Yamamah defence project valued at more than £15bp - has offered to make part of its range of military and heavy duty trucks in Saudi

DAF would provide the tech-nology for the plant and plan for a gradual increase in local

content. Cooperheat International of Southport has proposed an expansion of its existing operations in Saudi Arabia by establishing a manufacturing and contracting joint venture to provide maintenance for the oil, gas and petrochemicals process industries in the Mid-die East.

Saudi Arabia has insisted on offset arrangements for big defence contracts with Britain, the US and France, and its western partners have had to

go along with the idea.

The MoD declined to estimate the value of the lastest offset proposals. Ten proposals have been made so far, and British officials say the four which have already been approved are worth about £100m.

# **Kuwait acquits** four of sedition

A Kuwaiti court yesterday acquitted four men accused of trying to overthrow the Government with bomb attacks which killed several people, the official Kuwait News Agency KUNA reported, Router reports from Kuwait.

Prosecutors had domanded

Prosecutors had demanded the death sentence for Sayed Mohammed Bagir al-Mosawi (alias al-Muhri), Faisal Abdul-Hadi al-Mehimeed, Walid Malid ai-Mazeedi and Abdul-Hamid al-Saffar

The four Kuwaitis, arrested last year, had also been charged with belonging to outlawed organisations siming to topple the government, inciting sedition and illegal possession of arms and explosives.
Two officials from the London based human rights group Amnesty international attended the trial which

later behind closed doors Several bomb attacks have been reported in the oil rich Arab state since 1983. The Emir of Kuwait, Shelkh Jaber al-Ahmed al-Sabah, escaped an assassination attempt in 1985.

opened on May 12 and resonat

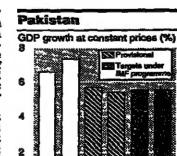
Pakistan's economy shows unexpected signs of good health Despite ethnic violence and threats of war, key indicators have improved in the past two years, reports David Housego

N A country so torn by violence as Pakistan, on the verge of war with India and with a government stag-gering from one crisis to the next, it comes as something of a surprise to a visitor to find that many of the key economic indicators look much better

than two years ago.

The budget and the current account deficits have been brought down from levels that in the last months of President Zia ul-Haq's regime had drained the foreign exchange reserves to under three weeks of imports. Inflation should be under 8 per cent when the current financial year ends later this month. Private investment - particularly in housing and sectors such as textiles - is picking up from admittedly

Both the IMF, which recently had a mission in Pakistan, and the World Bank in its new report on the Pakistan economy, have been fairly complimentary over the Gov-ernment's handling of macro-economic policy. The World Bank opens out the prospect that by the second half of this decade Pakistan may be able to take advantage again of long-term commercial borrow-



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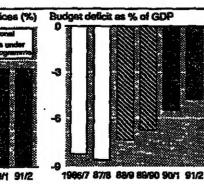
ing and to attract more sub-

The clouds on the horizon

stantial foreign investment.

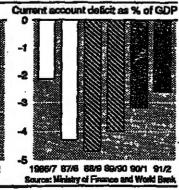
are the prospects of a war with India and continued ethnic violence in Sind province which contains Karachi and Hyderabad - two big industrial cities. The Kashmir crisis killed all hope of cutting defence spending in real terms this year, it is set to rise again in 1991, according to the new budget presented last week. It was increased to 63.3bu rupees (£1.7bn) for 1990 compared with 52.2bn rupees last year.

Defence now represents 39



per cent of government current expenditure; the costs of trying to control law and order in Sind mean the total cost of security services now account for more than 50 per cent of the budget. A further 33 per cent of expenditure goes on servicing the 15.6bn rupees foreign debt mountain. This extra spending has forced reductions in funds for development and some social services, sectors which Prime Minister Benazir Bhutto was committed to expanding. Stocking of oil, rice

and wheat has also limited the improvement in the balance of



Another cloud has emerged in the opposition's charges of widespread corruption against Ms Bhutto's regime. In terms of economic management the most damaging is the alleged use of the financial institutions as a conduit for loans to friends and favourites of the

None the less the opposition has been far less critical of the Government's overall handling

of the economy than it has

been of other issues. So far

there has been no big outcry

against the austerity measures

that the IMF programme has implied. "People are beginning to realise this is the way improvement can be brought about," says Mr V.A. Jaffery, the economic adviser to the Prime Minister.

Before the budget, the Gov-ernment encouraged the belief that it would be draconian. In fact it has not proved as harsh

Though the budget and cur-rent account deficits have nar-rowed, there have been slippages from the IMF targets. The budget deficit, which had reached 8.6 per cent of GDP, was due to come down to 6.9 per cent in the current financial year. But is more likely to work out at 6.7-7 per cent. Most of the reduction has come from squeezing current and development expenditures rather than from new tax revenues.
This year's exercise will be

more difficult. The Government is committed under the IMF programme to bring the deficit down to 5.5 per cent, but will be hard put to do so. The emphasis in the budget was on raising new revenues

through widening the income tax base and introducing a new VAT-style sales tax. The Government has already taken

some hard decisions in raising petroleum prices and reducing subsidies. But Mr Jaffery says last year's "austerity" squeeze on current spending cannot be maintained. Both defence and development expenditure are to rise in real terms.

The current account deficit has benefited from a favourable system in the terms of trade

ble swing in the terms of trade and is expected to decline from \$1.9bn in 1988-89 to \$1.7bn this year. At 4 per cent of GDP, this falls just short of the revised

Tight monetary policy – in particular, the restriction of the Government's access to the Central Bank to finance the deficit - has helped bring inflation below 8 per cent. The explanation for this turnaround is that the decline in the foreign exchange reserves before President Zia's death

had already forced Pakistan into seeking IMF support.

Ms Bhutto, on coming to power, endorsed the programme imposed by the IMF and the Bank, and has since implementations and the services of the implementations of the implementations. implemented some of the unpopular decisions, including raising petrol prices and scaling down subsidies.

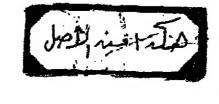
The tighter control of the last two years has meant a

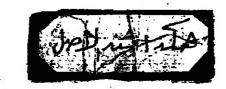
slowing down in the expansion of real GDP to below Pakis-tan's historic rate of 6 per cent a year. The economy is likely to grow by 5 per cent this year and slightly more next.

The Government has been slow in carrying through reforms in the financial sector and in extending privatisation. Mr Jaffery says it is committed in principle to privatising two commercial banks — one will motivally be the Music Commercial. probably be the Muslim Commercial Bank – and II industries. But these are plans still on the drawing board.

One of the Government's fears is that hasty privatisation could return the nationalised groups to the large industrial families who are the tradi-tional political enemies of the Bhuttos. Offsetting all these improve-

ments however is the magni-tude of problems still facing the country. The most intransi-gent is the large population growth rate (an average 3 per cent a year), which absorbs much of the increase in output. Also, in spite of the planned increase in development expenditure this year, far less is being invested in roads, power and irrigation than the country





anese l admits aide i shares pite ban

As a sales attendant at a world famous West End store, Joan

Every year, Joan Appleton work. She has to be there at nine o'clock sharp each morning. Six days a week.

Appleton depends on London Underground to get her to and from

spends three weeks It's almost an hour from her home in Epping, 40 kilometres north-east. In a year, that makes over three weeks of travel time. "That's life in this part of the world," she shrugs. "I'm basically an outdoor girl. I love fresh air and open spaces. But if I have to spend that much time underground, I'd like it to be as comfortable as possible." underground.

As much as comfort, she and her fellow passengers also appreciate punctuality: trains that run on time and don't get stuck somewhere along the line. Which, as Joan will tell you, hasn't always been the case. Europe's largest urban population is served by the world's oldest metro system, and it sometimes shows.

But that's changing. In a major renewal programme, ABB traction technology is being applied in a project led by BREL Limited, ABB's UK associate, to supply 680 cars to London Underground's busy Central Line, enabling faster and smoother operation.

The result will be greater comfort, security and better service for London commuters. And Joan Appleton's underground quality of life will show a marked improvement.

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### Invitation to Purchase Shares. Dankotuwa Porcelain (Pvt) Ltd., Sri Lanka.

The Company, which had a very successful year in 1989 earning a US \$ one million net profit, wishes to expend its facilities. The speciality product of the Company, is high quality porcelain dinnerware, which has already been successfully marketed in Japan, U.S.A and other European countries. Established companies, manufacturing Porcelain and Bone China dinnerwave and marketing their products in markets such as North America, Japan and Europe are invited to make their offers for purchase of a tranche of shares of the Company to be agreed upon. However, in accordance with the Government

policy, 10% of the shares will be reserved for distribution to the

employees of the Company. Preference will be given to proposals with a definite commitment to future investment plans for the next five years. A prospective investor may make offers for the purchase of tranches of shares representing varying degrees of ownership.

Proposals should be submitted to Secretary, Ministry of Finance, Galle Face Secretarist, Colombo 1, Sri Lanka, under confidential cover together with the following documents:

Company Profile.
 Audited Financial Statements for the last two years.

3. A Banker's Reference.

. 7

to reach him not later than 29th June, 1990. The left hand corner of the envelope should be marked "Offer for Dankotawa Porcelain Shares". This offer is open till 29th June 1990. For further information regarding the factory and for an appointment to visit the factory please contact:-Chief Executive Office:

Dankotuwa Porcelsin (Pv1) Ltd.,

Kurunegala Road, Dzakotuwa,

Telephone: 030-3479, Telea: 22512 TARGET CE. Fax: 0317145 Proposals should be submitted in writing to the Secretary, Ministry of Finance, to reach him on or before Friday, 29th June,

Please note that this invitation supercedes the previous Notice inviting offers. Ministry of Finance.

Galle Face Secretariat, Colombo 1.

### GLOBAL GOYERNMENT PLUS FUND LTD INTERNATIONAL DEPOSITARY RECEIPTS REPRESENTING 100 COMMON SHARES

Notice is hereby given of the IDR holders that from June 28, 1990 on, against remittance of the "Global Government Plus Fund", IDR mantle, a new IDR with coupon 23 attached will be received.

The new IDRs will be available in denominations of 100 and 10.000 Shares, free of charge (other than possible delivery and

The schedule of fees applicable to Global Government Plus Fund IDRs

It they have not specified otherwise IDR holders will receive the new IDRs in denominations of 100 shares.

IDR holders are requested to present their IDRs to the address mentioned hereunder accompanied by their instructions for exchange

MORGAN GUARANTY TRUST COMPANY OF NEW YORK C5 avenus des Arts 1040 BRUXELLES

# INTERNATIONAL NEWS

# Sparkle on Indian diamond market dims

Gita Piramel reports on rough times, falling demand and hopes in a maturing market It is also a clannish network.



cessed in India.

give out some of my orders to others on a job-work basis without fear."

mond export trade, are doing

Even more curiously, some

are diversifying into the inter-national high fashion jewellery

market just when it appears to

be contracting.

The trend is partly a reaction to the recent decision by the Indian Government to about

ish the Gold (Control) Act. The act's draconian rules had made it a major obstacle in the man-

ufacture and sale of gold jewel-

lery.
"We were always a little

afraid of the act. For even a minor carelessness, we could lose our prestige and in the diamond business, reputation is everything, said Mr Bharat Chebranes of E Vijayicu.

Shah, a partner of B Vijayku-mar, India's largest diamond

exporter.
Last year Mr Shah started manufacturing jewellery for the first time in a modest factory just outside Bombay. My target was Rs20m (\$1.16m), but the first few months itself it.

in the first few months itself I exported jewellery worth

Rs80m. Today I have orders in hand worth Rs2bn. My problem now is shortage of space," said

He welcomes the abolishing

of the act "because now I can

record business.

without fear."

Mr Shah's success — both in diamond polishing and in jew-ellery — is largely due to the fine craftsmanship of Indian artisans who can add sparkle to even the smallest and hrow-

mest of stones.

They can chisel industrial quality rough diamonds, which have been rejected by Israel and Belgium, into stones suitable for setting into popular

fashion jewellery.

Moreover, in India, craftsmanship has a cheap price tag
and wages are low. Skilled
workers earn monthly incomes

of Rsl.200-1,500.
Such salaries, which are marginally lower than industrial wages in larger Indian cities, are nowhere comparable to what similar artisans secure elsewhere in the world. Over the past few years,

Indian diamantaires have been cutting and polishing diamonds in increasingly larger volumes. In 1989-90, out of 95m carats of diamonds which were cut and polished all over the world, 59m carats were pro-

polishing them, forwards them to another brother in Antwerp, The burgeoning demand for their goods is encouraging sev-eral of the larger firms to who in turn instructs cousins in New York and Hong Kong to sell them to jewellery manufac-

invest in imported laser machinery in order to boost turers.
"This business demands per-sonal attention and trust. Only production. Nevertheless, the majority of artisans continue to use the traditional primitive your family can give both. I have remained a small dia-The importance of Indian diamantaires in the world marmond exporter because I do not have a brother whom I can send to live in Antwerp," ket is reflected in the number of Indian companies who have been appointed sight-holders by the DTC. Out of a total of 200 sight-holders who attend laments Mr Mehta.

DTC's monthly auctions in London, only one is Japanese compared to 40 Indian compa-Manufacturing used to be their cutting edge. Gradually the Indian firms added market-ing, establishing a global net-work with offices in Antwerp, London, New York and Hong

One unique aspect of this network is that in practically every case, each office is manned by a family member. Buying roughs in London, an Indian sends them to his bother in Rownbay who after

brother in Bombay who after

the Gem and Jewellery Export Promotion Council, less than 5 per cent do not belong to the Palanpuri Jain community - a small religious sect which traces its roots to the dusty village of Palanpur located on the borders of Gujarat and Rajasthan. Significantly, seven groups

Out of the 2,400 members of

dominate the trade, controlling nearly 25 per cent of all Indian diamond exports. All seven are Palanpuri Jains. With the expanding scales of operations. these groups are beginning to flex their muscle - to De

Beers' growing dismay.

"Today, 62 per cent of the world's diamonds passes through Bombay. Naturally the DTC would not like to feel dependant on any one country. So it is trying to develop Thailand, China and Sri Lanka, where labour is almost as

where labour is almost as cheap as India, as new centres," said Mr Mehta.

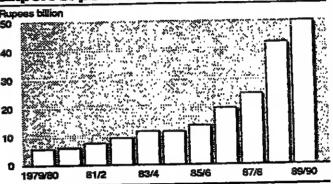
At least one Indian Antwerp-based firm has already opened a cutting and polishing factory in Bangkok while two others are in the process of

doing so.

As Mr Jayant Vora, a specialist in the insurance of diamond factories, says: "It is this attitude of finding a niche and burrowing into it which has created the Indian diamond

Their view is clearly that the clouds hanging over the market are temporary and do not dim the Indian diamond export

# Export of polished diamonds from India



# Lebanon's largest construction. group closes

By Lara Marlows in West Beirut

OGER-LIBAN. lebanon's largest construction company. closed for business yesterday, leaving the country apparently without a company to replir its war-ravaged roads, buildings and water pipes.

Company records show that Oger-Liban removed 306,00% tornes of dirt and debris from Beirut after the 1992 invasion. But the company had not fulfilled any contracts for nearly three years and most of its equipment has been stolen by militia groups.

Oger-uban was created by Mr Rafiq Hariri, the Lebaneseborn Saudi multi-millionaire, after the 1982 Israel: invasion of Lebanon. Mr Hariri had taken over Oger Saudi Arabia and the French parent com-

pany in the early 1950s. in 1983, Oger began rebuild-ing old downtown Berrut, the commercial centre of the city. But work there had to be abandoned because of renewed fighting in 1954.

Company officials stressed that the closure of Oger-Liban-would not affect Mr Hariri's other businesses, which include the Mediterrannic investors group (capitalised at over \$100m) and the Arab Uni-

versal Insurance Company.

Mr Hariri is also a major shareholder in the Saudi-Leb-ancse bank and Al-Saudi Bank

Throughout the 1980s. Oger was the main contractor in Lebanon for water and sewage pipes and road construction.

After the 1989 "war of liberation" and this year's inter-Christian war, Beirut is more than ever in need of reconstruction.

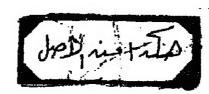
Mr Hariri provides 12,000 university scholarships to Lob-anese students each year. While he is generally well-loved by Lebanon's Sunni Moslems, other groups in Lebanon allege that Mr Hariri is a con-duit for Saudi money to strengthen the Lebanese Sunn community.

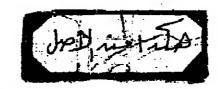
BRUSSELS. 20 MARCH, 1972. GENERALI ENDOWS GROUP INSURANCE WITH ITS TRUE INTERNATIONAL DIMENSION.

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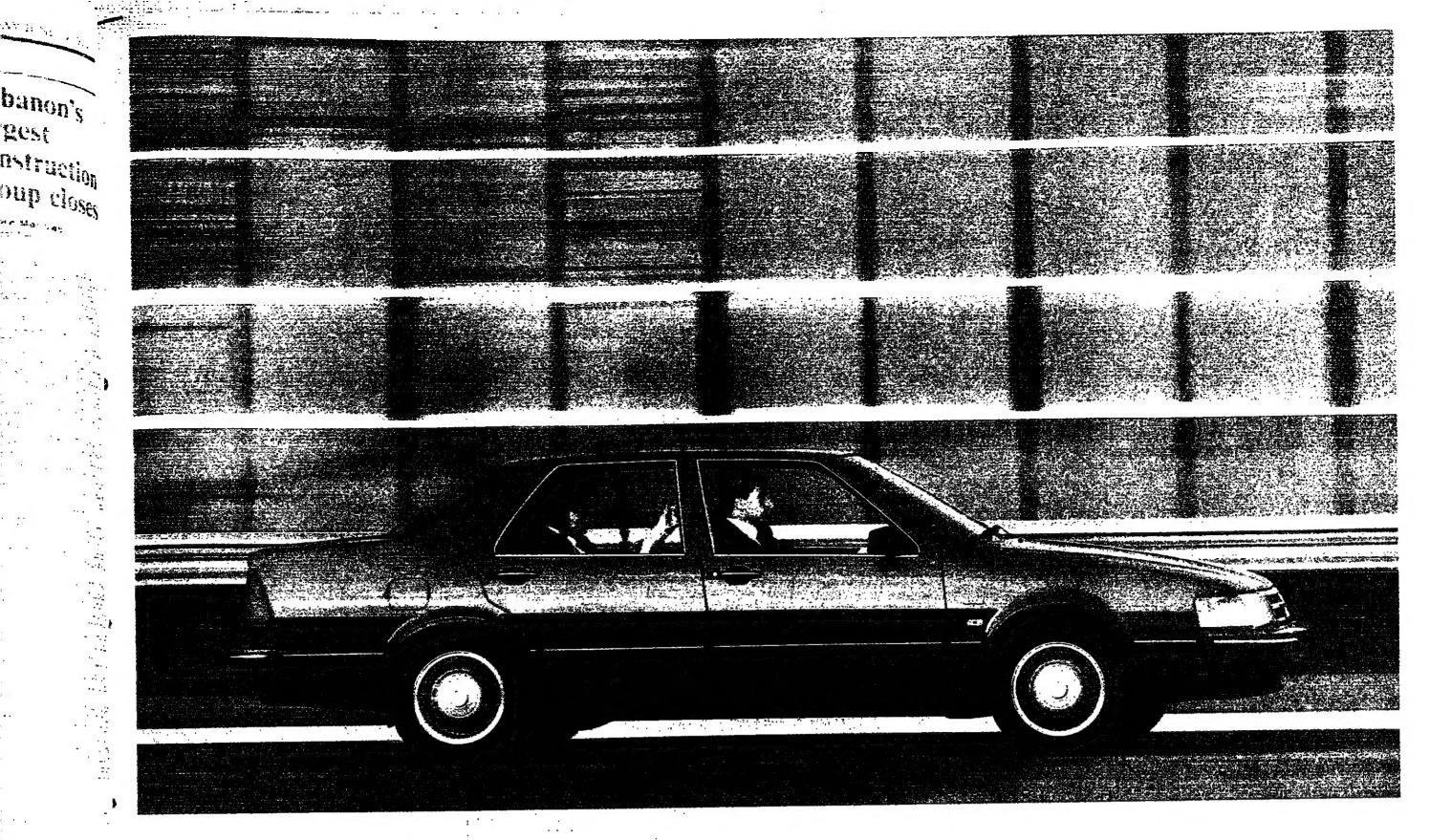
the most sophisticated designing of group pension and plans tailored to take in all national specific requirements. On 20 March, 1972, insurance took on a new dimension.

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Rest



# THE NEW INSTANT T25 TURBO. IT'LL FORCE THE DRIVER INTO THE BACK.

"No James" I said "I'm driving the Saab today."

As I slipped into this sumptuous driver's seat before the board meeting, I wished commanding this much power was always this easy.

The new T25 turbo charged 16 valve engine could teach even the most perceptive director a few tricks when it comes to a polished performance.

For at last one can take on power effortlessly without so much as a single hiccup.

And at 0-60 in 7.8 secs it's a flying start. But the real exhilaration comes from making short work of critical situations, through its instant acceleration especially when overtaking between 50-70 mph.

Of course Saab's classical lines and its engine location ensures no space is stolen when it comes to the interior.

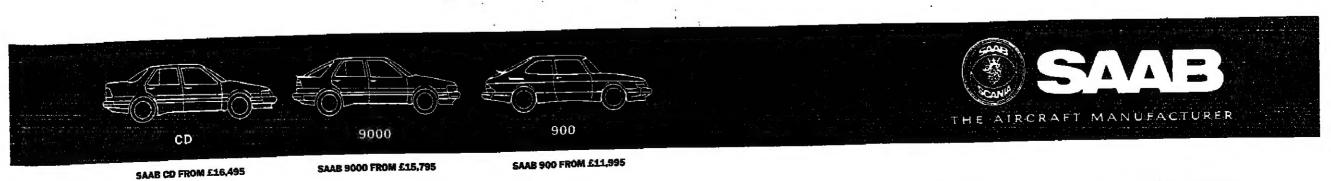
So there's enough room to stretch out and soak up all the luxurious touches, with even a dash of walnut.

For those on the inside clear visibility and a feeling of security is paramount. That's why it's reassuring to be surrounded by a protective steel cage and front and rear crumple zones. And if the odd obstacle happens to be thrown one's way, Saab's advanced braking system with three circuits (Saab ABS + 3) will make sure one won't come unstuck.

Then again, all this assurance and confidence, is expected from an uncompromising manufacturer, who designs a car from a pilot's point of view.

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# **UK NEWS**

Serious doubts over financial targets | Thatcher signals hard-line on controversial local taxation

# **Budget forecasts** threatened by public borrowing

OFFICIAL figures yesterday revealed Britain's public finances were heavily in the red in May, cutting the Treation of the year at two months of the year. sury's room for manoeuvre at the height of its summer spending negotiations with the Cabinet.

Yesterday's news of a £1.7bn borrowing requirement in May is likely to force the Treasury to scale back its target of a 27bn public sector surplus in 1990-1991, forecast only three

months ago in the Budget.

The Treasury blamed – for the second month running – the high cost of implementing the poli tax and the new business rate for the properted. ness rate for the unexpectedly high borrowing requirement for May. There were no privati-sation proceeds last month, istance to the poll tax, and administrative problems in its collection, were also making the inflow of revenues to local government much slower than in previous years. Although revenues from tax, customes and excise, and per cent higher on the year, at

of the financial year together, the Government has borrowed £3.8bn, in stark contrast to this time last year when it managed a repayment of £700m.

a small surplus.

Britain's manufacturing output showed a modest recovery in the three months to end April, helping to keep the rise in unit labour costs below the growth of average earnings.

try, and the trucks will be

assembled by RTI at Dun-stable.

suffered a net loss of £7m last year compared with a loss of £1.5m in 1988.

Rover is to launch a diesel version of its 800 executive car

range using a 2.5 litre engine bought in from VM, the Italian

diesel engine manufacturer.
The turbocharged, intercooled diesel 800 will be

launched initially in France,

Belgium, the Netherlands and Spain, and in Italy and in the

UK in September. VM already

supplies diesel engines for use

in Rover's Range Rover

vehicles, and a similar VM engine to the 800 version is

used by the Fiat group.

# Renault wins part of £20m truck contract

By Kevin Done, Motor Industry Correspondent

RENAULT Truck Industries, the UK subsidiary of Renault Vénicules Industriels of France, and Reynolds Boughton have been awarded a £20m contract by the UK Ministry of Defence to supply 846 four wheel drive trucks.

The MoD also has an option to purchase an additional 160 vehicles, and both RTI and Reynolds Boughton are hopeful that the contract will lead to significant export orders.

The vehicle is based on the Renault 50 series, first launched in 1978. RTI will act as Reynolds Boughton's main

Reynolds Boughton will supply its specially developed four wheel drive transmission package, axles and other componen-

Taking the first two months

This sharply higher rate of borrowing has awakened seri-ous doubts in the City over the Government's ability to maintain its forecast surplus this year. In general, the City was expecting a much smaller borrowing requirement of about £750m in May - with some economists going so far as to predict that buoyant revenues would leave the Treasury with

WALES ENGLAND

well behind the economic uplift elsewhere.

A concentration of 18th-century housing with few 20th-century additions has resulted in the area having a higher proportion of houses without an inside lavatory or bathroom than elsewhere in Britain.

The economic situation is

The economic situation is not altogether bleak. The area has attracted some well known companies. AB Electronics, Hitachi, Gooding-Sanken, Dun-lop, Pirelli and Sheer Pride all have manufacturing operations in the area. But the incomers

THE PRIME Minister continues to review changes to that the wide-ranging review was still considering suggestions as radical as local retendums for overspending councils.

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The prime principal prime prime prime prime prime prime prime prime prime prim

posals for extending considerably powers to "charge-cap" those councils judged to be overspending. But the High fications to the controversial community charge, or poll tax, to help two-home owners. The Government was being blamed for the community Court's rejection last week of an appeal against capping this year by 19 local authorities charge because it was allowing iabour council's to get away with excess spending, Mrs Mar-garet Thatcher said. It was the role of Parliament to stop would have given ammunition to ministers arguing that extra powers are not needed. Government sources yester-day confirmed that legislation

to amend the community charge system had not been Two's Jimmy Young show, came as a Cabinet committee ruled out for the next session of Parliament. They also said

Thatcher rebuffed accusations that charge capping reduced local accountability, saying there was still an "enormous gap" between capped councils and more economical authorities.

She added: "We are criticised in some respects for not having bigger powers to charge cap because people say 'look don't let Labour have this big spend-ing of other people's money." She said the Government had given local authorities too

munity charge was falling on the Government but increasingly people were realising that it was local authorities which set charge levels.

"What they are saying to me is you always knew that Labour are big spenders of other people's money. . . Why did you let them do it?"

 Meanwhile Neil Kinnock, the Labour opposition leader. confidently predicted he would become Britain's next Prime anniversary of two of his great-

est electoral triumphs. A year ago Labour trounced the Conservatives in the European elections winning 45 seats, and 20 years ago Mr Kin-nock first entered Parliament

as MP for Bedwellty.
As the Labour leader met his
Euro MPs at the London office at the European Parliament for one of his regular meetings with the group, he said last year's election result was the base on which Labour would build to win the next General

election. "A year ago we made huge gains in the European elections to become the biggest

"We can go on to repeat that success, and get an even better result at the next General Elec-

"We took 40% of the vote in the European elections and in every election since then we

have done better. "We will continue to go from strength to strength and form the Government after the next

General Election." Secretary of the British Labour Group of MPs Alan Donnelly, Euro MP for Tyne and Wear said the MPs were delighted with the help and liaison received from Mr Kin-

nock and the shadow Cabinet.

# A shadow of the past that still falls across Wales

Anthony Moreton looks at plans to revitalise a deprived Welsh valley blighted by the death of coal

years of coal mining has left the Cynon Valley as one of the most deprived parts of industrial South Wales. The or industrial South wates. The unemployment rate is 13.4 per cent, just over twice the Welsh average, and income levels are among the lowest in the UK.

Now that mining has ceased, local businessmen and development senseing the

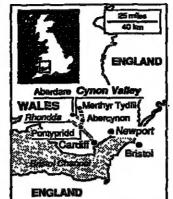
over-powering taxation on the

Her comments on BBC Radio

By Ralph Atkins

local businessmen and development agencies are trying to rejuvenate the valley. Although it is only one of a dozen valleys in South Wales whose main economic base has disappeared with the rundown of the coal industry, it has reacted more slowly to changed conditions and lagged well behind the economic uplift elsewhere.

have never compensated fully for earlier works closures. which accounted for over 3,000 jobs in coal alone in the 1980s. Now, under the chairmanship of Mr Ted Merrette, managing director of AB Electron-ics, the valley's largest employer, a forum has been set



up by 60 local businessmen who will preside over the launch of Business in the Community, whose task is to

attract new employment.
This is not the first step along the path of economic along the path of economic rejuvenation. Two months ago the Welsh Development Agency launched a five-point regeneration package for the valley. It is seeking closer links between the public and private sectors which previously have been neglected in an area which has had a tradition of punicipal socialism. municipal socialism.

The agency is seeking to draw together public bodies such as the Wales Tourist Board, the Land Authority for Wales and Housing for Wales. It wants them to co-ordinate policies on issues such as the best use of land for development and put their weight

area is seen by many as an example of what can be done in unprepossessing circum-

Mr Roberts, who is the council's representative on the local Business in the Community leadership team, strongly believes that "for urban regen-eration to be successful the broad brush approach is essen-tial. If an area is to be improved jobs are certainly necessary. But it is not just a matter of jobs or finding the land on which new factories can be built. The quality of life also has to be improved and that means better housing, bet-

ter healthcare facilities. As a start towards the creation of a new image Mr Roberts commissioned a new logo, an orange sun over a green val-ley. A brochure outlining the valley's attractions - ample

behind a vigorous marketing programme to change the area's negative image.

"The biggest need," says WDA chairman Dr. Gwyn Jones, "is to get all the agencies working together. We had done this very successfully in North Wales in Rhyl and if we can repeat it in Cynon Valley it will be a big step forward."

The catalyst behind all these moves was the arrival of Mr Tony Roberts as chief executive of Cynon Valley borough council on March 1. Mr Roberts came from the Rhondda, a neighbouring valley where similar problems had been so energetically attacked that the area is seen by many as an security of change of the county.

I and, good supply of labour, modern factories, new housing, financial aid — was produced and aimed at the affluent but overcrowded south east of England. Some 5,500 companies in three countles received the mailshot which will be followed by one-day conferences in each county.

Mr Roberts says there have already been successes. Wimpey, Barrett, Balfour Beatty and the Cardiff-based Bailey Group are considering building private housing. The Cardiff-based Gooding Group chose similar problems had been so energetically attacked that the area is seen by many as an second to change the county of the problems had been so energetically attacked that the area is seen by many as an second to change the county of the county of the county.

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Mr Roberts says there have already been successes. Wimpey, Barrett, Balfour Beatty and the Cardiff-based Bailey Group are considering building private housing. The Cardiff-based Gooding Group chose Aberdare for its joint operation with the Japanese company Sanken Electric to produce switchboard power supplies and is looking at the possibility of further expansion, according of further expansion, according to Mr Rene Ferber, group man-

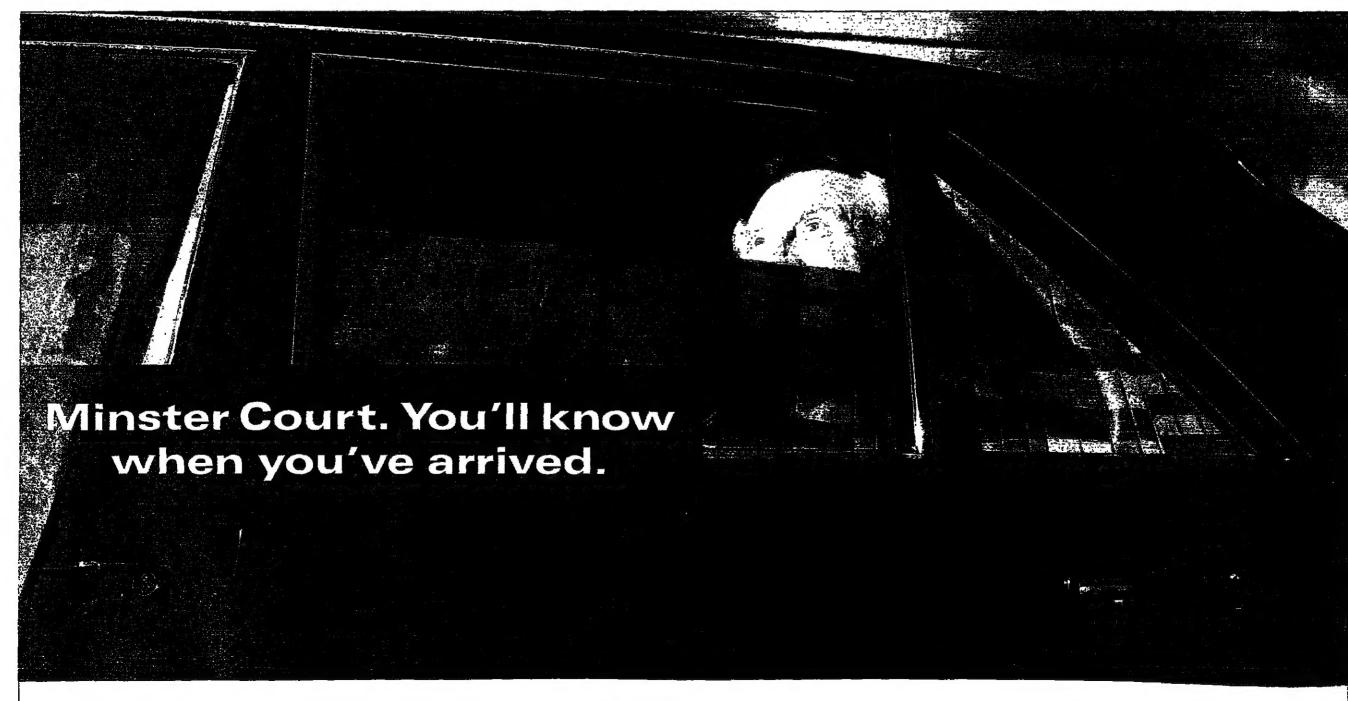
aging director.
"We want to undertake a skills audit, so that we know skins audit, so that we know just what we have and what we can offer to a potential incomer. This is critically important if we are to succeed, says Mr Roberts." But there are still obstacles

along the path to regeneration. Earlier this year a leading employer, Coal Products, announced the closure of its Phurnacite plant with the loss of 350 jobs.

Despite this, Mr Roberts says, "Cynon Valley faces an exciting future. There is enormous potential here. What we have to do is to convince others." ers of that potential."



Images of the past from the Welsh valleys: Abercynon in the heart of the Cynon Valley

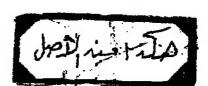


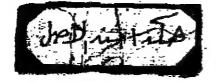
premises need to be more than just workmanlike. They need to reflect the success you've attained. Close to the Lloyd's Building in the heart of the City, The Frudential has developed three spectacular buildings, linked together by a glazed piezza, which will provide the office space of the future BUT MINSTER COURT is not just a dramatic new City

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ATRAFES 199

Loss of US contract hits GEC Ferranti By James Buxton and David White STATE OF THE STATE burgh, Scotland, partly as a result of the cancellation of a 

dh of coal

continued to produce more cuts.

The company is the former force.

The company, which employs about 6,000 people in plants in Edinburgh, said it was having to review its "business and its organisation" following the cancellation of a major overseas order and as a result of increased competition in the defence market.

Last autumn it embarked on a programme of early retirement and cuts in recruitment which involved the departure

continued to produce more cuts.

The company is the former for company is the time schedule. The contract, whose value is not being disclosed, was considered significant partly because it had been boned that it would lead to other contracts it would lead to other contracts it would lead to other contracts involving the US Air Force.

A company spokesman said that the cancelled contract was with an unmaned contract was with an unmaned contract was with an unmaned contract of the US Air Force and involved the airborne defence systems of US.

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A company spokesman said that the cancelled contract was with an unmaned contract or the US.

Air Force and involved the departure airborne defence systems of US.

CEC Ferranti Defence Systems, of 400 people from the com-the defence contractor, is to shed up to 550 jobs in Edin-continued to produce more

aircraft. The contract was can-celled earlier this year because GEC Ferranti failed to meet well as manpower reductions. GEC Ferranti recently won

the order to supply its EFR 90 radar system to the European Fighter Aircraft project. It halieves that this contract, potentially worth between gibn and gibn, will secure the jobs of about 2,000 people into the next century.

However it is far from cer-tain whether the European Fighter Aircraft will go ahead on the scale originally envis-aged. Considerable opposition to the project remains in West German political circles.

Parliament told an extra £600m must be cut from £21bn planned spending

# Inflation hits UK defence budget

Review ordered in Scotland of defence groups business and organisation

By Michael Cassell, Political Correspondent

THE Ministry of Defence is being forced to secure spend-ing cuts of more than £500m this year because of the impact of inflation on its £210m annual budget, Mr Tom King, the Defence Secretary, revealed yesterday,
The decision means that, on

The decision means that, on top of extensive cost savings already being pursued, the government is scaling down plans to order more 50 Tornado strike and fighter aircraft.

The Royal Air Force, in a final order, had been due to take another 33 of the £20m aircraft, built by British Aerospace by co-operation with

space in co-operation with West Germany and Italy. A number of aircraft are expec-ted to be cancelled, while the purchase of others could be delayed.

The decision is expected to have a significant impact on the BAe factory at Warton, Lancashire, with possible job losses. BAe supplies about 18 per cent of the aircraft's value and assembles the UK version. In a move not directly con-nected with the longer-term review of defence requirements now underway within the gov-ernment. Mr King told the Commons that the MoD had to achieve spending cuts this year of over three per cent in real terms, the largest for many



Defence team: Mr Tom King and Mr Alan Clark

the five per cent allowed when the MoD budget was fixed in 1969, the ministry was already under orders to cut spending by £350m this year.

The present temporary freeze on all defence procurement is likely to be lifted at the end of this month, although the ministry is stressing that all future procurement will be scrutinised more closely than

The MoD did disclose yester-day, however, that it is to take the next steps towards produc-tion of the Rolls Royce pow-ered Westland EH101 anti-subwith defence costs rising by about eight per cent, against marine helicopter for the Royal Navy. A contract for initial production should be placed



Mr. King also denied reports of a policy rift with Mr. Alan Clark, the Minister for Defence Procurement, over the scope for reducing British defences in response to events in east-

ern Europe.

He said opponents were attempting to "drive a wedge" between the two ministers but that both of them felt "singularly inwedged" about the

speculation.

Mr King emphasized that the present MoD review of British defence requirements was seeking a proper balance between the front-line and support. He re-emphasized however, that Britain intended to

retain its independent nuclear deterrent, including Polaris, Trident and associated frigates, submarines and minesweepers. A consultation paper setting out the direction of the MoD's thinking on the defence review is expected to be circulated among ministers before the

among ministers before the end of next month. Ministers expect to have agreed their approach by the end of the year.

Mr King also underlined the

need for adequate forces to meet commitments outside Europe. These included not only the Falkland Islands,Cyprus, Gibraltar, Belize, Hong Kong and Brunet, but a capacity to respond appropriately where circumstance demand Accepting that there was Accepting that there was likely to be scope for changes and redeployment in Europe, he confirmed that the future of the four divisions in the British Army of the Rhine (BAOR) and RAF contingents in Germany were was being examined.

In what Mr Martin O'Neill.

ined.
In what Mr Martin O'Nelll, the Labour opposition's shadow defence spokesman, infarpreted as a hint of cuts in the existing regimental system in the Army Mr King said "It is better we have reduced numbers of front-line units, reflecting changed commitreflecting changed commit-ments and risk of war, which

### BRITAIN IN BRIEF

**UK NEWS** 



# M and S chief gets big pay rise

Lord Rayner, chairman of Marks and Spencer, the retailer, received a 46 per cent pay rise in the last financial year, taking his remuneration from £424,401 to £619,961, according to the group's accounts.

The group awarded its shop staff pay rises of up to 26 per cent, in March, but this was to cover a three-year period. Warehouse staff were not given an increase.
Lord Rayner's salary is still well below those of some leading industrials, such as Lord Hanson, who receives over film a year, and Sir Ralph Halpern, chairman of Burton, the retailer, who received £899,000 last year.

### Airport joint venture

John Laing, the British construction company, has formed a joint venture with Lockheed the US aerospace group to explore opportunities for airport development around the world.

The two companies are already working together on the new Eurohub terminal at Birmingham international airport in the UK. The joint venture plans will exclude the US, said Laing.

### Irish extradition controversy

Another row concerning the Irish Republic's extradition procedures appeared to be browing over the case of Donna Maguire, the woman arrested by Belgium police at the weekend suspected of being part of an IRA unit operating on the Continent.

West Germany said that a

request it had made last year to the Irish authorities for Ms Maguire's extradition had been turned down. Ms Maguire is wanted in connection with at least two IRA attacks in

West Germany
The Irish government gave
no reason for its decision to turn down the German extradition request saying had been dealt with according to "appropriate procedures."

### Backtracking on TV bill

The Government bowed again to critics of its broadcasting bill and announced that the new Independent Television Commission is to have the power to impose a two year moratorium on takeovers of commercial television companies and insist that there should be a national

network. Mr David Mellor, the Home Office minister responsible for broadcasting, said the Government planned to give the ITC, the body that will replace the Independent Broadcasting Authority later this year, the power to ban takeovers of Channel 3 and Channel 5 companies from the moment the licence is awarded until one year after the start of broadcasting.

#### CBI attacks government

Mr John Banham, director

general of the Confederation of British Industry, launched a blistering attack on Britain's "apparent allergy" to strategic thinking on transport policy. He said lack of planning and investment meant the UK was entering the 21st century

with the worst transport infrastructure in Northern Europe, and was in danger of being left on the sidelines with the advent of the single European market in 1992. Mr Banham was speaking

in the wake of the Government's decision last week to throw out the latest proposals for a high-speed railway line between London and Channel Tunnel.

### Insurance aims for Europe

Lloyd's of London, the insurance market, and Sun Alliance, the largest UK composite insurer, are to

establish a joint venture to Post Office to offer insurance cover to medium and large insurance

risks in Europe. The initiative, which will offer insurance protection of up to £145m for a risk at a single location, aims to take advantage of the European Community freedom of body which monitors matters services directive which comes into force from July 1,1990.

The directive allows foreign companies to compete in each others' domestic market for medium and large scale commercial risk previously insured through national insurance companies.

### Police blamed for violence

Supporters of individuals involved in London's anti-poll

involved in London's anti-poll tax demonstration in March claimed to have amassed evidence that police brutality and disorganisation was the main cause of the violence.

The Trafalgar Square Defendants' Campaign claimed that police overreaction in the early stages of the demonstration led to "brutal violence" by police officers against demonstrators and a "clear break down in the chain of command."

chain of command."

The Metropolitan Police said its own investigation into the conduct of its officers was expected to be completed by

increase prices The Post Office is planning to increase postage prices by 20 on September 17. If assent is given by POUNC, a statutory

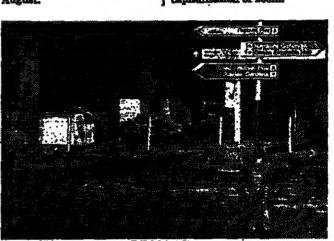
concerning the Post Office, the price of a first class letter would be 22p and second class 17p. The proposals also include price increases for heavier items and international mail. The Post Office said that despite the proposed increases, the UK postal service was among the cheapest in Europe. It said the additional revenue would be used to finance its

# Sketchley posts £2m loss

£1.3bn investment programme.

Sketchley, the dry cleaning and vending group which earlier this year evaded two takeover attempts, yesterday reported annual pre-tax losses of £2m and a deeply discounted £20.6m rights

The results, which the company described as "disastrous," compared with a 26m profit forecast which Sketchley made in March. Sketchley share price dropped 20p to 183p, giving the company a market capitalisation of 286m.



A multi-million Government housing plan aimed at clearing the streets of London of young people sleeping rough came under fire from voluntary organisations and local authorities as insufficient.

Mr Michael Spicer, the Housing Minister will amounce a crash programme of emergency shelters offering basic facilities to homeless people, particularly those encamped in "cardboard city" around Waterloo.

The housing charity, Shelter, said that the measures appeared to involve "wasting short-term measures with no long-term solutions for what is a fundamental national crisis."

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# FT LAW REPORTS

# Cargo owners lose indemnity claim

FANTI: PADRE ISLAND House of Lords (Lord Keith of Kinkel, Lord Brandon of Oakbrook, Lord Ackner, Lord Goff of Chieveley, Lord Jauncey of Tullichettle): June 14 1990

A "PAY to be paid" clause in a P&I club contract imposes a condition precedent on a member shipowner to satisfy its liabilities on a cargo claim before it can acquire a right to indemnity from the club; and where the shipowner is wound up so that its rights against the club are statutorily transferred to the cargo owners, they cannot claim direct indemnity if, because of the shipowner's failure to discharge its liabilities, no right to indemnity ever came into

existence The House of Lords so held when allowing appeals by two protection and indemnity (P&I) clubs, Newcastle Protection and Indemnity Association and West of England Shipowners Mutual Insurance Association (London) Ltd, from Court of Appeal decisions that they were liable to indemnify cargo owners, Firma C-Trade SA and Socony Mobil Oil Inc. for loss of cargoes carried on Fanti and Padre Island, ships owned and insured by P&I club members prior to their winding up.

Section 1(1) of the Third Par-Section 1(1) of the Third Parties (Rights against Insurers)
Act 1930 provides:
"Where . . a [company] . . is insured against liabilities to third parties . . (b) . . in the event of a winding-up order being made . . if . . liability . . is incurred by the insured [its] rights against the insurer . . shall . . be insurer . . . shall . . . be transferred . . . to the third party to whom the liability was

so incurred". Section 1(3): "In so far as any contract . . . in respect of lia-bility of the insured to third parties purports, whether directly or indirectly, to avoid the contract or to alter the rights of the parties thereunder upon [the winding up] . . . the contract shall be of no effect."

Section 1(4): "Upon a transfer the contract shall be of no effect."

fer . the insurer shall . be under the same liability to the third party as he would have been under to

LORD BRANDON said that Fanti and Padre Island were

entered in the P&I clubs by

their owners.
he clubs' rules provided that members should be indemnified against cargo claims which they became liable to pay "and shall in fact have paid".

Cargo claims were asserted against the shipowners. Judgments were obtained against them but not satisfied. Both shipowners were subsequently ordered to be wound up.

The cargo owners instituted arbitration proceedings against the clubs claiming indemnity under the Third Parties (Rights against Insurers) Act 1930.

In Fanti the umpire awarded in favour of the club. Mr Justice Staughton allowed the cargo owner's appeal [1987] 2 Lloyd's Rep 299. In Padre Island the arbitrator awarded in favour of the club. Mr Justice Saville dismissed the cargo owners' appeal [1987] 2 Lloyd's

Rep 539. There was direct conflict between the two judgments. The Court of Appeal heard both appeals together [1989] I Lloyd's Rep 239. The club's appeal against Mr Justice Staughton's decision was dismissed. The cargo owner's appeal against Mr Justice Saville's decision was allowed.

Both clubs now appealed. The first question was what rights did the shipowners have against the clubs immediately

before the winding up orders? On the ordinary and natural construction of the "pay to be paid" provisions in the club rules, payment by members to third parties was a condition precedent to payment by the clubs to members.

In the Court of Appeal it was argued for cargo owners that under equitable principles members were entitled to be indemnified as soon as the liabilities had been established, without any need to discharge them first.

Before the Supreme Court of Judicature Acts 1873 and 1875, at law the party to be indemnified under an ordinary indem-nity contract had to discharge the liability himself first and then sue the indemnifier. In equity the indemnifier could be ordered to pay directly to the third party. Since the passing of those Acts the equitable remedy had prevailed over the remedy at law. It was difficult to see how

equity could disregard the express "pay to be paid" provisions in the clubs' rules. No authorities were cited which

Court of Appeal The answer to the first ques-tion was that immediately before the shipowners were ordered to be wound up, they only had contingent rights against the clubs in respect of their liabilities to the cargo owners. The rights were contingent in that it was a condition precedent to indemnity that the liabilities should first have been discharged by the

shipowners themselves. The second question was whether the "pay to be paid" provisions purported, directly or indirectly, to avoid the con-tracts between members and clubs or to alter the parties rights, on a winding up order being made, so as to render the provisions of no effect under section 1(3) of the 1930 Act.

The cargo owners contended that section 1(3) did render the "pay to be paid" provisions of

no effect. There were substantial difficulties in the way of that contention. The "pay to be paid" provisions did not apply only on the happening of a specified event such as a winding up order. They applied equally before and after such an event.

It was true that on winding up the member was likely to be prevented from discharging liability to a third party and so be unable to obtain indemnity. That situation did not, how-ever, result directly or indi-rectly from alteration of rights under the contract of insurance. It resulted from the member's inability, by reason of insolvency, to exercise those

rights Mr Justice Saville and the Court of Appeal rightly rejected the cargo owners argument based on section

The answer to the second question was that the "pay to be paid" provisions did not purport directly or indirectly to avoid the P&I contracts or alter the parties' rights upon the shipowners being ordered

to be wound up.

The third question was what rights against the clubs were transferred from members to third parties upon the mem-

There were two views. The first, taken by Mr Justice Staughton and the Court of Appeal, was that rights to indemnity were transferred to third parties, subject to condi-tion precedent that they first paid themselves the amounts

supported the contention. It of the members' liabilities to was rightly rejected by the them; that the condition precedent was impossible to satisfy so that it became ineffective or inapplicable, because a person could not pay himself; and that as a result the rights trans-

ferred were accrued rights to indemnity. The second view, taken by Mr Justice Saville, was that the members had no accrued rights to indemnity because they had not satisfied the condition precedent; better or larger rights than those previously possessed by the members could not be transferred

accrued rights to indemnity were transferred. The second view was pre-

to third parties; therefore, no

ferred. It was clear from the express terms of the 1930 Act that the legislature never intended (except in section 1(3) which did not apply to "pay to be paid" provisions to put a third party in a better position as against an insurer than that of

the insured himself. The effect of section 1(1) and 1(4) was that in a case where the insurer would have had a good defence to a claim by the insured before the statutory transfer of his rights to the third party, the insurer would have the same good defence to a claim made by the third

party after transfer. It was not in doubt that the clubs would have had good defences to indemnity claims by the shipowners before they were ordered to be wound up, on the ground that the condition precedent had not been satisfied.

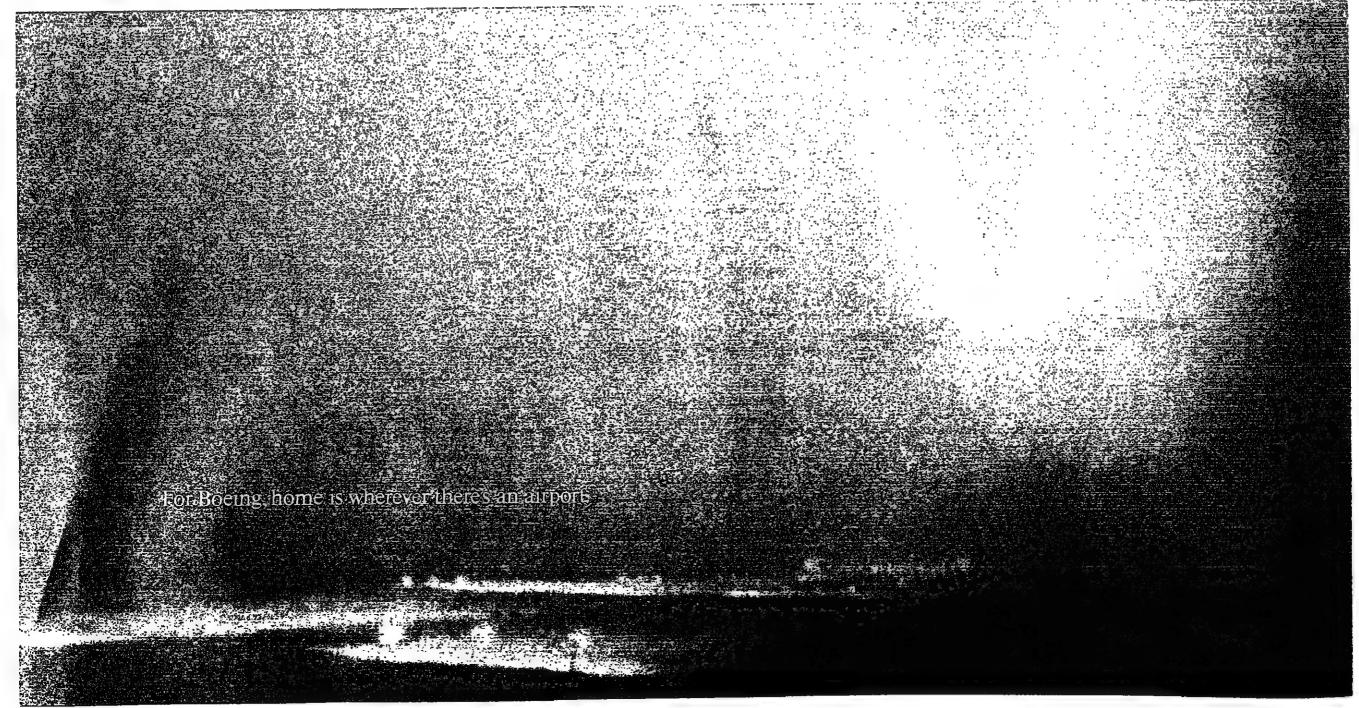
It must follow that the clubs had the same good defences to indemnity claims made by the cargo owners after the shipowners were ordered to be

wound up. The club's appeals should be allowed in both cases.
Their Lordships agreed, Lord Goff gave a concurring judg-

ment. For Newcastle: Richard Aikens QC and Jonathan Hirst (Ince &

For Firma C-Trade: Anthony Clarke QC and Nicholas Hambien (Clyde & Co) For West of England: Stewart Boyd QC and Graham Dunning (Holman Fenwick & Willan) For Socony: Jonathan Sumption QC and Andrew Popplewell (Allen & Overy)

Rachel Davies Barris!cr



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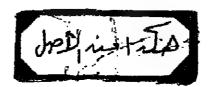
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t the Glasgow Royal Infirmary they eat boeuf bourguignon rather than haggis. In public gardens in England many tulips bloom. In Danish kindergartens the children sit on German chairs, All are examples of small and medium-sized companies that have broken into public procure-ment markets in Europe: a Dutch landscape gardener, a French caterer and a German educational supplier have overcome a host of obstacles and won contracts from state-

owned foreign buyers. Yet these success stories are the exceptions that prove the rule; small and medium-sized companies are virtually nowhere in the public procure ment market at home, and even less successful in other European countries. Only in France, where the Government encourages public buyers to choose smaller businesses, do companies employing fewer than 500 people get a reasonable slice of the business. But even the 30 per cent of the French market that SMEs Small and Medium sized enterprises have is low. Small com-panies make up 70 per cent of EC employment in manufac-

turing and services.

The French record is also well below that of the US, where small enterprises are protected by quotas, price pref-erences and a whole series of other incentives to make sure they participate. In Japan, SMEs also get a large slice of the public buying market thanks to its well developed network of subcontractors. Such comparisons are increasingly worrying the Commission. It fears that its

ational quality control has reached Britain's enterprise agencies, with one already

Self-interest is involved: the banks are the main suppliers of

working capital to small businesses, while the agencies are one of the main suppliers of counselling ser-

vices. If the quality of the counsel-ling is assured, the banks can trust the agencies' evaluations of the

business plans brought to them by

"It is also going to help us sell our services to the Training and Enter-

Public procurement

# Why EC efforts face a variety of hurdles

Lucy Kellaway on the outlook for smaller companies

efforts to open up the European market in procurement will be largely wasted unless flexible small businesses are given a role to play. To make matters worse, the recent ini-tiative to break the national buying patterns may actually burt smaller firms, both as a result of the extra formalities created by the new rules, and by the intensified competition from non-national heavy-

In correcting the imbalance, the Commission is faced with a serious problem. To start giving small European companies the kind of preference granted in the US would be against the Treaty of Rome, and against the whole spirit of 1932.

the whole spirit of 1992.

There are scores of reasons for the slim participation in public orders by the SMEs. First, many of the contracts may be too hig for them to hid for alone. They may not get to hear of the ones to which they would be suited. They may be disqualified by the hidder for being insufficiently secure financially. The process of hidding may be too cumbersome and too expensive. And even if they actually succeed in getthey actually succeed in get-ting the business they may be paid so late as to make it scarcely worth their while.

In an attempt to tackle some of these problems, the Commission has just approved a paper containing a dozen or so initiatives to be taken by Brussels. by member states, by buyers and by the small companies themselves. The aim is to find a way of giving smaller companies a better chance, without discriminating against big sup-pliers, or involving the buyers in any greater cost.

For some very large contacts it may be right and proper that SMEs play a limited role. For others, the commission has made two suggestions: to divide up the contracts to bring them down to the capacity of the SMEs, and to encourage SMEs to pool resources and bid for the contracts together. In the first case the contracts could be split into lots so that small firms bidding for a lot would have to match the proportionate prices offered by larger enterprises for the full contract.

As far as the second sugges-tion goes, the Community has a variety of schemes in place to encourage companies to get together, through marriage networks, joint research projects and by estab-lishing a favourable legal company structure known as the

European Economic Interest Grouning. So far the success of these has been mixed, and for the time being there is nothing fur-

ther that the commission feels it can do, short of calling on member states to make sure that they tidy up all their own legal and fiscal uncertainties. For smaller concerns it is the

small contracts that fall below the thresholds (ecu5m for works; ecu200,000 for supplies), which are likely to interest them most. The commission encourages buyers to place free advertisements for these offers in the Official Journal. A further problem met by SMEs is that they frequently do not meet the minimum

standards of financial stability demanded by the buyer. The commission has called on the buyers to question whether their demands are strictly nectheir demands are strictly nec-essary — and has said a study is needed to examine how com-panies should be assessed, and allow SMEs to improve them-selves so as to qualify. In addi-tion, the commission is encour-aging companies to develop new systems to protect both new systems to protect both sides from default in a way that does not discriminate against smaller companies. Guarantees in the form of per-



formance bonds, of the sort being introduced in Italy, are

one option. Just as important a barrier is the actual or perceived administrative cost and com-plexity of bidding. The commission recognises that in many countries the procedures are unnecessarily cumbersome, and is trying to persuade buy-ers to simplify and standardise their forms and perhaps to give bidders a longer time to pre-pare their bids.

A big challenge is informa-tion - or rather lack of it - of which contracts are available. The commission is trying to get as many contracts as possi-ble onto its computer data base and encourage private firms to use and retransmit this information efficiently. The network of Euro Info Centres is to be expanded to help keep SMEs informed of potential business. especially in other member

As for late payment, the Commission has done a study into the damaging effects of EC legislation on SMEs and is shortly to produce its ideas on the matter. The problem with most of these initiatives is that they involve the goodwill of the public buyers, many of whom are already critical of the strains placed on them by the opening of the new EC proent directives, and may resist further voluntary change

A still more important barrier may prove to be the pessi-mistic view of many of the SMEs that nothing will really

To change this attitude, the commission is providing financial help for public procure-ment fairs so that SMRs can meet purchasing bodies, for seminars and conferences, and for practical manuals and training courses on how to sel to the public sector and how to deal with its bureaucracy.

Its experience so far shows just how much remains to be done. At the first major procurement fair, held in London's Queen Elizabeth Hall in April, one of the conclusions was that small companies were essential to public procure-ment. The message, however, fell largely on the wrong ears: a disappointingly small num-ber of the invited SMEs bothered to turn up.

banks backing the scheme. Each BiC regional director will also make a general assessment of each local

igency in his or her area.

Half a dozen have already been visited, but North Derbyshire Enterprise Agency has won the race to be first accredited. However, Mike Horner, the chief executive, is now wondering whether the charter will be enough for Tecs, sponsors and cli-

He has bought DonBAC's manuals and consulted Marshall and hopes soon to get a secondee from the Gov-ernment's Training Agency to ensure that systems are good enough to earn a BS5750 certificate. So is it necessary to run both schemes? Walby thinks that the charter may well provide a work-able first step by many agencies, providing them with a route, even-

# In brief. . .

A wealth of recent legislation has meant that there are more than 250 statutes governing the daily life of directors and that the penalties for innocent mistakes as well as for wrongdoing have become tougher. The latest version of Guidelines for Directors, published by the Insti-tute of Directors, provides advice on how to avoid the pit-

falls. The new version - about 100,000 copies have been sold since the first edition was published in 1973 - incorporates the changes introduced by the 1989 Companies Act, including directors' increased responsibility for the content and accu-

racy of company accounts. As well as providing a legal guide the book recommends good practice in areas where the law does not reach. It is intended for new directors as well as existing directors who need a quick reference to legal obligations.

\* From Book Department. Director Publications, Moun! barrow House, Elizabeth Street, London SWL 134 pages, £15.45

Fewer people are now forced to consider self-employment because they have been made redundant than was the case in the early 1980s but losing your job is still a factor for a signifi-

cant minority.

To help people in this situation a booklet\*. Life after Redundancy - New Opportunities from Industrial Change, has been produced by Business in the Community, the umbrella organisation for

enterprise agencies.

The booklet provides information on Employee Share Ownership Schemes, manage-ment and employee buy-outs, co-operatives with case histories of successful ventures.

Employees seeking to revive a business which their former employer has closed down, for example, will need to ask the former employer a number of

questions. Has the market changed and what does this mean for the product? Is the machinery and equipment available modern enough to form the basis for a new business? What are the prospects of market research revealing lucrative new out-lets? In addition, Can new products be made on the same machinery and sold through the existing marketing organi-

\* From Business in the Community, 227a City Road, London ECIV 1LX 20 pages. Free.

# Quality is assured in the enterprise

awarded a BS5750 certificate and another having gained a new type of accreditation charter being pioprise Councils (Tecs), as well as reassuring our sponsors," says Brian Crangle, chief executive of negred by Business in the Commu-nity (BiC), the agencies' umbrella DonBAC, the Doncaster agency which has kept up its image as one of Britain's more enterprising ones by getting BS5750 approval from the British Standards Institution. The idea of agencies giving quality assurances is being taken seriously by the clearing banks, most of which have already agreed to back

The institution checked the arency's counselling manuals and procedures for consistency and quality, and then, for a fee of £2,500, registered DonBAC as a quality assured

organisation "B85750 is Britain's main instru-

vated him. He believes quality assurance will help the agencies sell their services in training for enter-

ment of quality assurance," Crangle says. "Most of our sponsors use and understand it." The advent of the Tecs also motigrise via courses, seminars and con-sultancy to the Tocs.

DonBAC was able to satisfy the

BSI's rigorous standards because it had Eric Marshall on secondment to pilot the agency through the whole process. Marshall was, until its closure, the quality assurance manager for British Rail's engineering works in Doncaster. DonBAC has its BSI joining fee paid for by sponsor John Carr, a member company of The Rugby Group, and has not had to use its own funds.

The agency is now selling its man-

The agency is now selling its man-uals at £250 a time, with a free day's consultancy from Marshall, to help any other agency which wants to

He admits that any agencies may then baulk at a £2,500 joining fee, but says that talks are in hand on

possible volume discounts if enough of Britain's 300-strong network of

Not everyone is happy with Don-BAC's taking the initiative over

"Counselling is the central and critical thing with every agency," Walby says. "If you get that wrong, then everything alse is wrong. Our charter is pretty basic stoff, but it is trying to set common standards through the country."

nesses a combination of competence and ethical practice, with monitoring of the performance and capabilities of counsellors, as well as the agency itself. It also embodies a need for appropriate guarantees of professional indemnity insurance.

Standards will be checked by assessors, such as large firms of accountants, who will basically carry out a non-financial audit of what any agency can do and how well and consistently it does it from case to case, as well as compared with its counterparts.

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cies apply.

BS5750, however, in case it causes confusion with BiC's own quality accreditation charter. "Theirs is a gold-card route that some agencies may not need," says Tim Walby of

Despite their still having some

way to go to prove themselves, the Tecs have galvanised BiC and the agencies to get the agencies into a

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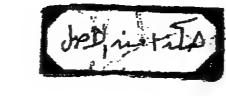
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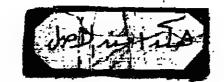
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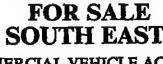
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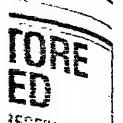
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# **GROWING BUSINESS**

23rd July 1990 For a full editorial synopsis and

Antony Carbonari

London SE1 9HL.



# London Symphony BARBICAN HALL

There is no confrontation between piano and orchestra in Beethoven's "Emperor" Concerto, nor even much divergence of paths; they en-operate anticably, taking turns at displaying their very grand material. That is musual, and in later ministrat, and in later
Romantic concerti almost
inheard-of. An exception
which comes to mind is the
Plano Concerto of old
Balakirev (tiself, sadly, almost unheard-of), in which again the piano is simply an heroic partner for the orchestra. While we wait for Hamish Wilhe or Gordon
Fergus-Thompson to try if on
with a London orchestra (since
Busslan performers are so
neglectful of their great ancestor), there is other Balakirev that needs reviving: notably his First Symphony - which shared Sunday's LSO

Emperor" in perfect amity. Both works drew the best from the conductor Jeffrey Tate, and the Beethoven found him in seamless collaboration with the pianist Barry Douglas. The "Emperor" gives no quarter to quirky inspirations (which is why most musicians prefer the earlier Fourth Concerto, or even the Third), but it even the Third), but it demands ringing authority and breadth. Douglas supplied those in satisfying measure — confidently shaped and forward, vital without bectoring, a rich variety of touch but no brilliant preening. Just so, Tate kept the opening Allegro properly dignified but also lithe and purposeful, and he sustained purposeful, and he sustained the speaking phrases of the

programme with the

Adagio in one long trajectory: masterly, I thought. After that splendid performance, the Balakirev Symptony might have qwincien into a period-national exhibit. Despite its panoply of colour, it isn't truly "symphonic" in the Austro-German sense at all (Balakirev distrusted that whole tradition) - no unfolding development, no thematic argument; no thematic argument; and yet it is an original triumph of mosair-style invention.

Parsimonlously, it generates sumptuous patterns from a few musical cells which procedules their most in Starting proclaim their roots in Slavie folksong and dance, and a lew sideslipping cadences in Balakirev's special harmonic idiom. It rises to blazing climaxes which are dictated by the architectural plan, not explosions of subjective feeling. Tate had it superbly in

A Section

hand. Where Russian conductors tend to plug the flashiest moments hard, he gave continuous attention to Balakirev's real musical mechanism, which has the fascination of an ultra-cumning device (rebounding echoes as in sharp table-termis). None of Balakirev's idols — Glinka, Liszt, Berlioz, Schumann ~ had pushed that technique quite so far. As controlled monothematic fantasy goes, it is no great step from Balakirev to Skryabin, or even to "serial" Schoenberg and Webern. But the elements of Bolakirev's plan include haunting cones, too; and Tate gave those full value, with an inspired contribution by Andrew Marriner's clarinet in the Adagio. If Balakirev's music is too old-fashioned and transparent to invite deep pondering, it is a marvellous tonic when it crops up at

ARTS GUIDE

# If you go down to the woods today..

William Packer reviews the work of David Nash at the Serpentine Gallery

to Cardiff and Edinburgh: sponsored by Romulus Construction), where some 14 years ago he made his effective London

Romulus Construction), where some 14 years ago he made his effective London debut. Then he was but one of four artists in one of that long remembered and still much missed series of Serpentine Summer Shows, dedicated to putting the work of the promising young to the judgement of a metropolitan public. To look back on what I wrote on this page at the time is to mark not only how much Nash's work remains the same, in its material substance and imaginative preoccupations, but also how much it has come on.

I must say at once that the misgivings I then expressed have long since been dispelled, that even then seemed more a function of his active qualities as an artist than any positive fault, to be worked through rather than corrected — which is exactly what Nash has since done, without the least compromise to his essential vision. "He uses wood throughout, which he hews and splits and chops to serve practical rather than aesthetical ends, or so it seems at first," to which I would now only add that he also burns and reduces to charcoal. "Everything is robustly healthy and pioneering. Nothing is at all useful. .. but the sense is of use long forgotten, mysterious, arcsne."

Then came the rub, or what I called the safety-catch, for I felt that what such stuff required of us was "a sophisticated double-take, (a reading of) such directness as refinement, ambiguity as poetry, simplicity as purity. And wood it so beautiful and semetive a manual that we are able to comply. Nature really is wonderful, and Nash. .. knows he can hardly go wrong with her . . It is a pity that such precionsness, amounting almost to affectation, should take the edge off what is, in so many other respects, a strong, witty and truly original vision."

Well all Jean say is that I stand now

what is, in so many other respects, a strong, witty and truly original vision."

Well, all I can say is that I stand now by all but one word of that: I withdraw the imputation of "affectation" unreservedly, and as for that "preciousness," the only and crucial difference is

Nash, now, at 45, in flourishing mid-career, returns to the Serpentine Gallery (Kensington Gardens W2, until July 21, then on the Carliff and Edinburgh; conserved by

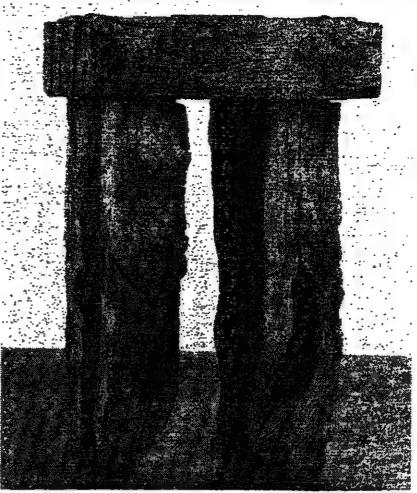
cesses and circumstances for their own sake, actually works as an active imaginative quality in his sculpture, and I now see that it always has. For this show, small and narrowly selected though it is, is a retrospective that takes us back well beyond 1976, to the early 1970s and his first year or two out of Chelses School of Art.

The large "Table with Cubes" of 1971 that, so a friend remarked, looks as though made to a drawing by Glen Baxter, stands clearly as antecedent of the even larger "Ancient Table" of 1983, worn and weathered as if long buried in the ruins of the castle of a race of glants. Just so the "Three Clams on a Rack" of 1974 prefigures the "Bowls" and "Platters" and "Spoons" of 1988, all set on their simple stands, or even the five simple fired and carbonised elements of the "Threshold Column" of 1990, that commands the first and principal gallery. The difference between the early and the late lies only in the freedom and confidence with which Nash works his surfaces — the freedom that comes with long experience and practical understanding, the confidence to leave off when just enough is done, and the innate monumentality of the working of the wood, and to discover and express it with direct and natural simplicity.

My one regret is that no place could

and express it with direct and natural simplicity.

My one regret is that no place could be found at the Serpentine, that most sylvan of any city's galleries, for anything of Nash's work in the great outdoors, he the most unself-consciously buculic of sculptors. The reason is plain, for such work is delicate, intimate and naturally inviting to any self-respecting vandal. Looking especially at so much of his work of the last 10 years or so, the hollow longboats with their stavistic thoughts of "the old grey Widow-maker," the stoves and fires and the strange, simple, charred monuments that emerge from the process, black as night, I think immediately of his low black dome set in its sechuled hollow in the Forest of Dean. It could hardly be simpler in its real-



'Ancient Table,' 1963

isation, a concentric system of charred stakes, stumps really, rising gently to the centre. And there it sits beneath the trees, blanketed now in moss and fallen leaves and rotting quietly, being slowly reclaimed by Nature herself with every turn of the seasons. That a cult of Nature should capture the imagination of several sculptors of Nash's vintage, now variously come to maturity, is not in itself surprising. Reacting against the conventional formalist abstraction of the 1960s, they were yet not altogether persuaded by minimalism and a new recommendation of the conventional conventions. more rigorous conceptualism, and a certain romanticism was irreaistible. But where Nash distinguishes himself from the likes of Richard Long and Hamish Fulton, Roger Ackling and Andy Goldsworthy, is in his thorough-going commitment to sculpture not as an inter-

vention, interruption or suggestion in the processes nature, to be taken or left, but as the making and presentation of objects integral to themselves.

His works may grow or change with time — he is fascinated by the gardener's processes of training and grafting — they may provoke thoughts and possibilities beyond themselves, but they are there to be taken in formal terms just as they are. There is no separation of activities, no going on walks to propose the walk itself a work of art aimply because nothing is left to show

# Nono's La Lontananza ALMEIDA FESTIVAL

The death of Luigi Nono a month ago left not only the sense of loss of one of the finest musical minds of the last 40 years, but a feeling of deprivation too; his music has been scandalously neglected in Britain. We have heard almost nothing of the works of his final decade. including his third opera Prometeo, and its satellite Das

atmende Klarsein.
A sample of just what we have been missing was pro-vided at the Almeida on Fri-day, when Gidon Kremer gave the British première of a 40minute work None composed

for him in 1988, La lontananza nostalgica utopica futura for violin and tape.

The world of Nono's late works is rarefied and remote. It's hard to identify just why its frail compilations of sound greats such a market effect. create such a magical effect, why the forms, so difficult to why the forms, so difficult to pin down, are so satisfying and complete. La bontananza places the live violinist in the centre of an eight-channel collage of its recorded self; the performer ms recorded self; the performer moves between five music desks conducting dialogues with his taped alter ego, sometimes freeing himself to offer intimate asides or the briefest snatches of etiolated lyricism. At the close the violinist departs just as he has entered, and the tape winds the music to a close framing the work to a close, framing the work with studio conversation (sound bites from the recording sessions) and the last vestiges of the unadulterated vio-

It is a strangely unadorned piece. The live component is always subdued, there is no overt virtuosity, though the performance demands supreme control; the tape may multi-layer the sounds, but it does not modulate or transform them. Climaxes are short-lived, raw and unshaped: the electronic composition has none of the sheen and glitter one has come to associate with the genre. But it creates a web of endless possibilities, of associations and resonances. Nono called it a "madrigal for several wayfarers," and in its arcane way it does offer the sense of a contemplative jour-ney, but one without any fixed

goal or feeling of completion. Kremer's wonderful playing is always at the centre. What other violinist could make it other violinist could make it all so rapt and compelling, could offer such a selfless, ravishing account of Nono's fragile lines? There is a kind of celebration buried beneath the surfaces, when the music at moments seems to dwell upon the sheer beauty of the violin tone; then the scraps of melody do sometimes cohere into a sensuous polyphony. But the sensuous polyphony. But the mood is generally far more restrained; La lontananza deals in nostalgia of the quietest, most discriminating kind.

**Andrew Clements** 

# La Damnation of Faust FESTIVAL HALL

This was the third and last of the concerts that Charles Dutoit is giving with the Philharmonia this season. It is a while since the conductor last appeared in London with one of our home orchestras and our home orchestras and this evening made his absence the more keenly felt. The playing was crisp and clean, even if a week's visit was not long enough for him to draw from the Philharmonia colours as subtle as he habitually obtains from his orchestra in Montreal.

Montreal.

The finesse that has made him an expert interpreter of the French impressionists is not necessarily a primary requirement for the Berlioz of + La Damnation de Faust +, where the music throws itself heart and soul into its subject. heart and soul into its subject. A cool and objective conductor such as Dutoit is less likely to let fly the wild extremes of

engaging performance, lithe and fluent, with an exciting rush of adrenaim at the big moments. The Philharmonia Chorus sounded as if it might have benefited from one or two light what Dutoit might achieve in ideal circumstances: a fiery Hungarian March and a Minuet of the Will o' the Wisps that danced with sprightly

The tenor was Jerry Hadley, potentially a fine Faust with the right voice, liquid-clear and not too heavy; but unfortunately he sang as though as he was reading from the proverbial telephone directory (the Paris volume, that is, in French), Roderick Earle made an incisive Brander and David Wilson-Johnson took over at the last moment as a vivid Mephistopheles. No lack of character there, though the voice itself lacks ring and

As a whole the solo quartet made an ill-assorted collection. What to say about Maria
Ewing's Marguerite? A
haunted presence on the platform, she sang the music with
a lavish and quite undisciplined appliance of nuance, for much of the time rising little above a dream-like murmur-ing, as though the extreme intensity of Berlioz's vision had impleded within her. A had imploded within her. A weird and unsatisfying approach, but strangely com-

Richard Fairman

lain and furniture auction

unsold by value. The headline news was a record price for

Corot, £1.25m paid for a view of the entrance to the port of St Rochelle. It is a record which

will be challenged tonight in London when Sotheby's sells a

Corot nude from the collection of the British Rail Pension

Two other auction records were the £569,238 paid for an

early 18th century Venetlan view by Luca Carlevarijs, depicting the entry of the

French ambassador to the Ducal Palace, and the £296,000 for an adoration of the Magi by the 18th century Italian artist

Corrado Giaquinto. Best price

among the furniture was the £227,692, four times estimate, paid for a set of five Regency

armchairs, badly in need of

restoration.
Guy Loudmer in Paris failed

to sell many of its important modern pictures. A particular

disappointment was a major

Pissarro of a peasant woman under a tree where the bidding

auction brought in £210,260

with 12 per cent unsold. A

Hans Coper stoneware "goblet" form doubled its forecast at

£14,300 but another Coper pot,

stopped at around £2m... In London yesterday Chris-tie's contemporary ceramics

# The truth behind the art of Shostakovich

Gorbachev and glasnost artivity compiled from previously published articles and interviews. While Volkov certainty to the comparing to wards its point of maximum torpor, and the future for Soviet artists must have seemed as bleak then as it had done at any point since the death of Stalin. Shostakovich was buried by the state as "a faithful son of the Communist Party," and that remained the received view in the West that after coming to heel in the mst Party," and that remained the received view in the West: that after coming to heel in the 1930s with his Fifth Symphony and being humiliated again after World War II he had learned to tailor his art to demands of the political sys-

It was the publication in 1979 of the infamous Testimony, Shostakovich's "memoirs" supposedly as dictated to the emigré journalist Solomon Vol-kov, that joited these percep-tions. It portrayed the com-poser as an embittered opponent of Soviet Communism, deeply scarred by the oppression heaped upon him and his circle for half a century, and who had sucoded in his music a savage critique of

too old-fashioned and his finder a savage critique of the left of

is McDonald's starting point. is McDonald's starting point.
The New Stommhouth sets out to chronicle the composer's life and to show how Shostakovich's antipathy to Communism was endemic probably throughout his adulthood (certainly in place before the death of Lenin) and how he gradually learned to control and channel that hatred in his music.

As a portrait of a creative

As a portrait of a creative artist tormented and harried by the random assaults of Sta-linism it is compelling, the cul-tural revolution instigated in the USSR in the late 1920s was as vindictive and unreasoning as anything perpetrated in China 40 years later. McDonald presents a detailed account of its madnesses, placing Shosta-kovich's predicament in the context of all the arts, and alongside Akhmatova and Pas-ternak, Eisenstein and Zamy-atin; Shostakovich was a lucky

THE NEW SHOSTAKOVICH by Ian McDonald Fourth Estate £18.95, 339 pages

one: Mandelstam and Meyerhold for instance, were not.

And as Shostakovich's resistance becomes embedded fur-ther and further into his music, so McDonald follows him, taking his one from the celebrated passage in Testi-mony where it is revealed that stony where it is revealed that the finale of the Fifth Symphony is not the triumph of Socialist optimism in the "making of man" that the apparatchiks of 1937 were happy to accept but an image of forced gaiety. He goes too far in this programmatic mapping, I think; every major work is given a precision of extramusical detail that conveys the impression that Shostakovich was concerned only with comwas concerned only with com-posing coded satires, as if his more generalised musical more generalised musical weapons of irony and satire had lost their cutting edge. A work like the Eighth Symphony is made to seem a commentary on Stalinism as literal and detailed as, say, Bulgakov's The Master and Maryurita; everything has to signify something, and musical archi-

tecture must be made to serve tecture must be made to serve that message.
Shostakovich emerges as a brave, unforgiving adversary.
constantly railing against his oppressors, but far from enhancing his stature as a symphonist McDonald's treatment

non-times linestens to radice his art to that of the pictorialist; a pictorialist obliged to work in an arcane code certainly, but still one paradoxically who put his own brand of propaganda first. That cannot be accurate, and The New Shostakovich emphasises those works in which its method can be most convincingly applied - and all this, it is worth - and all this, it is worth
pointing out, without any
exemplars from the composer's
own lips. In the case of the
20th century's other great
musical encryptor, Alban Berg,
there is at least documentary
proof of his methods; nothing
of the kind exists for Shostalovicit.
McDomald reserves his final

McDonald reserves his final act of decipherment for the web of quotations and allusions that makes up the Fifteenth Symphony, yet he mentions its predecessor only in passing. For many, Shostakovich's Fourteenth is one of his upplicated masterniaces in unalloyed masterpieces, in which language and expression are pared down to their searing essentials. It is though an

entirely personal work, con-cerned with Shostakovich's own fears and premonitions of death, and internalised creative processes are not McDon-ald's concern. There are pasaid's concern. There are passages in which the composer seems to be taken as a useful image with which to berate an unacceptable political creed, and after the measured narrative of the main body of the book the author finally unless the propositions. unloads his prejudices in a wide-ranging postlude.

To be a Western music critic of "left-liberal" tendencies would seem to be the worst of would seem to be the worst of all crimes in McDonald's eyes, while to be a commentator who shares "the tendency of twentieth-century music to emphasiae form over content" would also be a disqualification from perceiving the truth behind Shostakovich's art. Yet before we all creep away in shamed silence, it might be worth pointing out that his worth pointing out that his musical stature is not altered at all by these revelations.

"The persistent misinterpreta-tion of Shostakovich's music arguably the most grotesque cultural scandal of our time," writes McDonald; to which one's only response can be "O

**Andrew Clements** 

# June 15-21

OPERA AND BALLET

London London

Royal Opera, Covent Garden.
The triumphant new production
by Bill Bryden of Janacek's Cunning Little Viran is conducted
by Simon Rattle. Thomas Allen,
Lillian Watson, Diana Montague,
Robert Tear, and Gwynne Howell
head the splendid large cast. Latest round of the company's
much-revived La Bohème productom by John Cooley: Antonio much-revived La Boneme produc-tion by John Copley; Antonio Pappano /house debut) conducts, and principals include Ilona Tokocy, Jerry Hadley, Jonathan Summers, Barseg Tumanyan, and Judith Howarth. English National Opera, Coliseum. No performances until

August.
Bellet. At the Coliseum the glorious Kirov Ballet brings in a new staging of The Sleeping Beauty (Tues, Wed). At Covent Garden the Royal Ballet presents Romeo and Julie! (Wed). At Sadler's Wells the wonderful Spanish troupe Cumbre Flamenca returns on Tuesday for a three week sea-son.

Paris

dame

Chatelet, Handel's Alcino inspired by Orlando Furioso, con-ducted by William Christle with Arleen Auger in the title role is co-produced by the Grand Théatre de Genève and the Ensemble Orchestral de Paris Chisemene Orthestal at 14 (4028940).
Opera. The Taylor-CunninghamMarris programme is followed by La Sulphide in Pierre
Lacotte's choreography

Théâtre de la Ville. Josef Nadj is followed by Anna Teresa de Keersmacker's Stella (42742277).

Theatre Royal de la Monnada.
Richard Strauss's Der RosenkovoNer performed by the Mounaie
opera and orchestra conducted
by Emil Tchakarov, sets by Carlo
Tommasi, staged by Gilbert Deflo
with Judith Beckmann, Gunter
Missenhardt, Laul Poulson.

Theatre Royal, The Royal Wal-lonia opera in Puccini's Manon Lescout, staged by Pierre Fieta with Jules Bastin, Daniel Munoz, Danuta Salska, Marcel Vanaud.

Opera. Der Feuervogel/Le Sucré du Printemps/Bolero are all choreographed by Maurice Béjart. Don Giovanni has a new cast led by Angela Denning, Stefan Margita, Mariette Kemmer, Julien Robbins, Manfred Roehrl and conducted by Heinrich Hoellreiser. A Lieder recital by two famous bass singers, Kurt Moll and Harald Stamm, singing Mendelssohn, Anton Rubinstein, Dvorak, Ravel, Shostakovich, Mattlesen and Schubert. La Bohème is sung by Kallen Esperian, Gwendolyn Bradley, Antonio Ordonez and Andreas Schmidt. Also Der Barbier um Sevilla and Also Der Barbier von Sevilla and a Kaja Borris Lieder recital.

Opera. The Brecht/Weill opera Aufstieg und Fall der StadtMaka-

goung has a strong cast led by Ning Liang/Renate Spingler, Wil-liam Pell, Eva Gilhofer, Oskar Puergstaller /Piotr Czajkowski

Prophrant.

Opera. The successful La Cle-monar di Tito production con-vinces thanks to Alicia Nafe, Ana Pusar and Keith Lewis. Also offered II Serbiere di Stolglin.

Cologne

Opera. Jean Pierre Pounelle's wonderful *Die Hochzeit des* Figure production features Ashley Putnam, Teresa Ringholz, Alessandro Corbelli and Martin Finke. Die verknufte Brout is a well done repertoire perfor-

Opera. Macheth stary Edzabeth Connell, Piero Capuccilli, Francesco Ellero d'Artegna and is excellently conducted by Gianfranco Masini. The lively Burbley on Scoilla production by Willy Decker is of respectable standard with Frank Lopardo, Gabriel Bacquier, Gino Quilico, Jean-Philippe Courtls and Susanne Mentzer.

Opera. Rossini's rarely played Mose is sung by Cornelia Wulkopi, Doris Sofiel, Alejandro Ramirez and Manfred Schenk. Rigoletto has a first-rate cast led by Daphne Evangelatos, Mariella Devia, Leo Nucci and Kurt Moll. Oregin has John Cranko chore-onmin, Die Jamgyan va Ori-ons stars Waltruad Meier, Julia Conwell, John Broecheler and Theo Mann

Shuttourt Opera. Three operas by Philip Class, Einstein on the Beach, Sangapuha and Achadon. The latter, specially composed for the Stattgart Opera, is a deliber-ate break from the American tradition, not only in its claims. ste breek from the American tradition, not only in its choice of young Rgyptian Pharaoh as main figure, but also in the corresponding use of African and Asian musical forms. The title role is excellently sung by counter-tenor Paul Esswood. Also Hochself.

Gran Tentre del Licen Les Contes d'Hoffmann by Offen-bach conducted by Eugene Kohn, and featuring Nell Shicoff, Jone van Denn and Ruth Weiting closes the season at the Liceu. Ends July 5 (318 92 77).

Testre Alla Seela. Last operatitis season is a slightly sinister rendering of Tchalkovsky's Queen of Spodes by the Russian/American cinema director Andrej Koncialovsky set in a twilight 18th century, designed by Ezlo Prigerio. Miralla Freni, Vladimir Atlantov and Margherita Zimmerman lead the cast, conducted by Sepi Osawa. Also a repeat of La Traviata, conducted by Riccardo Muti, with the young Tiziana Fabiricini as Violetta (90.91.28).

Textro Valle. The Textro dell'Opera opens its summer sea-son here with Paisiello's *Don* Chisciotte, in Pino Micol's production with sets and costumes by the painter Ugo Nespolo. Paolo Barbacini, Elens Zillo and Paolo Barbacini, Elena Zillo and Nuccia Focile lead the cast, con-ducted by Gail Gilgor (654.3704).

Teatro Verdi. British director Graham Vick's newproduction of the Brecht/Weill opera, Maha-goray (sung in German with Balian surtities), with Luciano Berlo as coordinator of the project and Jan Latham Kneeds comect and Jan Latham Koenig conducting. The cast includes Yvonne Minton, Alberto Rinaldi, Catherine Malfitano and Warren Ellsworth (2779236).

Teatro Della Pargola. Jonathan Miller's new production of Moz-art's Don Glovanni, designed by Bob Israel, with Samuel Ramay in the title role, Katia Ricciarelli as Donna Anna, Dan-iela Dessi as Donna Elvira, and Adelina Scarabelli Zerlina. Zuhin Mehta conducts (2479651).

Testro Comunale, Lucieno Pava-rotti in GiniiscoMontaldo's production of Verdi's Il Transford conducted by Zubin Mehta

Vunice

Testro la Feuice. A romantic and highly successful production by Pier Luigi Pizzi of Wagner's Lohengrin, conducted by Chris-tian Theilemann, with Francisco Araiza in the title role (\$210151).

**New York** 

Metropolitan Opera. La Traviata conducted by Christian Badea is performed free in Central Park with Marilyn Mims as Violetta, Alfredo Rusus as Alfredo and Sherrill Milnes as Germont (Tue). American hallet Theory. The 50th anniversary season consists this week of Stoan Lake with additional choreography by Mik-hall Baryshnikov. Season ends June 30. Opera House at Lincoln

June 30. Opera House at Lincoln Center (362 6000), New York City Ballet. The conclusion of the festival of Jerome Robbins's ballets is part of a week that also includes Watermill, Who Cares? and Moves. Season ends July I. New York State Opera House, Lincoln Center (870 5570).

Chicago

Lyric Opera Company presents the first revival of Hugo Weisgall's opera Six Characters in Search of an Author, based on the Firandello play with a cast of 34 including soprano Elizabeth Byrne, temor Kevin Anderson and bartions Robert Orth (Thur). Civic Theatre (332 2244).

Takyo

Ballets Trockadero de Monte Carlo. The all-male company in their endearing send-up of the classical tradition. Nakano sun Plaza. (980 9988). Ends

Wednesday.
Laughing Stone Dance Theatre
Company from the US, founded
by Korean dancer Sin Cha Hong.
Shibuya Parco Space Part 3

Berlioz's orchestral writing or to probe the score's troubling depths as Colin Davis, for example, has. Nevertheless, this was an

more rehearsals with the conductor, so it was left to the orchestral showpieces to high-

SALEROOM Sherlock Holmes record One of the last Sherlock tunes with its weekend Mon-aco sales, scoring hits among the Old Masters but being left with almost half of its porce-

Gold the last Speriock Holmes manuscripts still in private hands, Conan Doyle's autograph copy of The Valley of Fear sold for £168,235 at Sotheby's New York over the week end to an American collector. The manuscript had the belonged to Paradolph once belonged to Randolph Hearst but was split up in 1950 and its chapters sold for \$300 each. The vendor managed to assembled them all, apart from

the epilogue.

The price was around twice the estimate and a record for a Conan Doyle manuscript. In the same auction Conrad's the same auction Courad's autograph manuscript of Typhoon went to the London dealer Gekoskei for £110,000, a record for Conrad.

Sotheby's and Christie's were busy in Monaco over the week end but few of their auc-

tions set the world alight. Highest price at Sotheby's was the £411.534 paid for a land-scape painted near Orleans by Constant Troyon. It was a record for this 19th century artist. The same price secured a secrétaire, stamped J F Leleu, and made in the 1770s. Among the Old Masters, a scene of peasants in the woods by Jan Brueghel the Elder just beat its estimate at £297,219 and the same sum acquired "Le passerelle," a view of a rackety rural bridge by Hubert Robert, which was estimated at less than half the sum.

The auction devoted to the Italian Futurist movement was a disaster but among the illustrated books La Rivière Enchantée, with twenty six illustrations by Foujita, did very well at £42,296.

in stoneware "hourglass" form, was near the low end of its estimate at £13,200. Antony Thorncroft

Rattigan archive for British Library The British Library has

acquired, with the help of the National Heritage Memorial Fund, the literary archive of the playwright Terence Rattigan, who died in 1977. Of particular interest among his correspondence are letters from Niven and Peggy Ashcroft.

US Impressionists in Lugano

From July 22 until October 28 there will be an exhibition of American Impressionist painting at the Villa Favorita in Lugano, Switzerland.

A total of 66 pictures from Laurence Olivier, Marilyn artists including Cassatt, Monroe, Noel Coward, David Sargent, Frieseke and Miller -1

# FINANCIAL TIMES

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Tuesday June 19 1990

# Europe's Arab neighbours

year or so has been riveted on events to its immediate east. These have seemed much more exciting than events in the Arab world, an area about which Europeans had to think more in the 1970s and early 1980s than most of them really liked. Yet in some respects the situation in parts of the Arab world, and especially in north Africa, is comparable to that in the Soviet Union and eastern

There too is to be found widespread and bitter disillusionment with both the personnel and the ideology of a ruling elite which has combined economic mismanagement with personal corruption. There too the retreat of Soviet power has contributed to a loss of nerve by that elite, which has been driven to experiments, widely differing in their degree of boldness or timidity, with political and economic liberalisation. There too the opposition, appealing to the historic traditions of the region, has often taken a religious form, partly because religious profes-sionals and places of worship were often the only people and institutions enjoying at least a measure of autonomy. There too, above all, the new political forces are far from having clear answers to the horrendous economic problems left unsolved by the outgoing regimes; and North Africa. more even than eastern Europe and at least as much as the Soviet Union, is a reservoir of desperately poor people who are liable to spill over in uncontrollable numbers into the rich pastures of western

There are, of course, important differences. Few Arab countries had gone as far in instituting complete state control of the economy as those of the Soviet bloc; nor has political change so far been as sudden or spectacular. But what makes that change most difficult for Europeans to identify with is that the religious lead ers and institutions which can alise political protest are not Christian but Islamic.

# Image problem

Islam has, to say the least, an unfavourable public image most western countries. Folk memories of Saracen or Turkish invaders, mingled with those of bitter\_("fanatical") resistance to European rule in various parts of the world, have been revived by the more recent spectacle of Islamic revolution in Iran, with

UNDERSTANDABLY, western its sanguinary sequel, and by Europe's attention for the last conflicts such as the Rushdie affair in Britain, or the dispute over girls wearing headscarves in French schools, which have brought home the fact that Moslem communities established in European countries will not automatically assimilate to all aspects of the host culture.

> There is, consequently, a tendency to lump together all Islamic politics under the blanket term "fundamentalist", and to assume that it is synony-mous with violence, tyranny and hysteria. The fact that those very qualities have often characterized the West's treatment of Moslem countries may or may not be remembered, and in any case hardly helps matters. The result is that Western public opinion is all too close to thinking that democracy is something not to be encouraged in the Moslem world, because Moslems if given the chance will vote for fanatical and antidemocratic

#### Dangerous responses

Last week's victory of the in Algeria's municipal and provincial elections — the freest held in any Arab country for quite a few years — is liable to reinforce that attitude. Other Arab rulers will hesitate to fol-low President Chadli Bendjedid's example, and Europeans will tend to think the Arab world beyond redemption. Such responses are dangerous, because they could all too easily be self-fulfilling. In fact there is still everything to play for. Within Algeria, the out-come of local elections, widely seen as a straight fight between the FIS and the ruling FLN and boycotted by some more secular opposition par-ties, does not necessarily prejudge that of national elections if those parties present a united front; and within the FIS there are moderates as well as extremists.

In the wider Arab world, Islamic voices will inevitably be among those heard when-ever free expression is allowed. If they can mobilise the people for successful economic effort as nationalism and socialism have so far signally failed to do - then Europe has every reason to welcome them. For as the Dutch social scientist Hans Entzinger has remarked, if there are no economic solutions in North Africa, Europe will soon find that the Mediter-ranean is no wider than the

# Phasing out A levels

MR John MacGregor, Britain's Education Secretary, is being criticised within the Conservative Party for failing to main-tain the momentum of Mr Kenneth Baker's education reforms. This lack of dynamism, it is argued, has allowed the Labour Party to make important headway in an electorally sensitive area: opinion polls show its "lead" on education has increased markedly

The criticism is in part unjust. Mr MacGregor has inherited the thankless task of trying to turn Mr Baker's lofty ideas into practical policies. There has been no backsliding on the introduction of a com-pulsory 10-subject national curriculum for 5 to 16 year olds, although the proposals for test-ing and assessing achievement have been watered down. The Government is also pressing ahead with the devolution of budgets and managerial responsibility to individual

head teachers.

Mr MacGregor's problem is that everything he does looks old hat. He badly needs to develop and market his own ideas. The obvious place to start is post-16 school educa-tion, an area of crucial importance given the need to raise staying on rates and improve skill levels in industry. Mr Baker's contribution in this sphere was negative: in 1987, under pressure from Downing Street, he summarily rejected the Higginson Committee's proposals for the reform of Advanced (A) level examinations. Higginson had wanted to retain the rigour of A levels but trim syllabuses in order to allow the average student to be examined in five rather than three subjects at the age of 18.

There are two separate objections to A levels. The first is that they fail to serve the real interests of the minority of bright students - the top 20 to 25 per cent of the ability range

for which they were designed. Educationalists are united in believing that an examined sixth form curriculum of three, usually related,

subjects represents a quite excessive degree of specialisation. The second and even more serious objection is that A levels are totally unsuitable for the bulk of less academic 16 to 18 year olds. By failing to provide a natural progression from the GCSE exams taken at 16, they help ensure that Britain has one of the lowest staying on rates in the industrialised world.

#### Tinkering The Government appears to

believe that a broad, accessible and relevant sixthform curriculum can be created around A levels, which would remain a guarantor of quality. It is promoting the Advanced Supplementary (AS) exam, which is intended to be as demanding as an A level but to take half the time to complete. At Mr Mac-Gregor's request, the National Curriculum Council also recently proposed ways in which "core skills" – such as numeracy, modern language competence and problem solving – could be embedded in existing A level syllabuses. Another body, the Schools Examination and Assessment Council, is looking at ways of rejigging A and AS levels so as to provide a broader curricu-

lum.
This kind of tinkering may bring about greater flexibility. but it fails to address the fun damental problems. AS levels for example, are not much help for less bright students because they are explicitly intended to be as difficult as levels. Core skills such as numeracy and information technology cannot be injected into A level courses that were designed with quite different objectives. Sooner or later, Mr MacGregor must accept that exams invented in the early 1950s are not appropriate for the 1990s. A levels, in other words, must be phased out. Making a case for really radi-cal reform of the 16 to 18 curriculum would do wonders for Mr MacGregor's sagging repu-

n a boat, moored by the tiny Luxembourg village of Schengen where the grand duchy. Germany and France converge on the Moselle, five states will bring to an end five years of work when they sign an agreement this afternoon to abolish all frontier controls on people passing between

Germany, France and the Benelux countries will not today become one jurisdiction. But there will henceforth be inside Europe the free travel zone of Schengenland. Reflecting an extraordinary degree of trust and commitment in purchase. commitment in such sensitive areas of sovereignty as immigration and policing, the Schengen Five have agreed to shift controls away from their internal borders to their external frontier.

To do this, they have had to agree, among many things, on a common visa and asylum policy, to pool their crime data in a giant computer, to let their police forces hotly pursue crimi-nals into each other's territory, and to minimise the differences in their anti-narcotics policies.

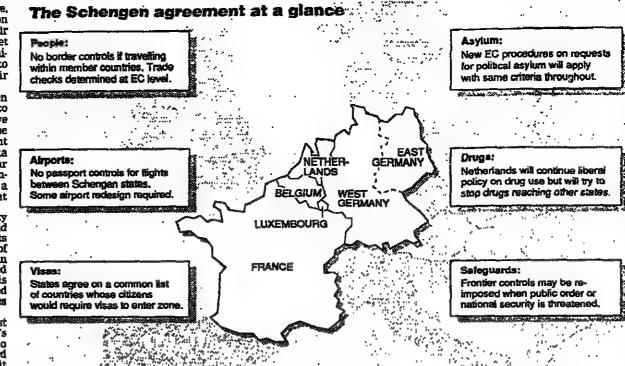
A few details have not yet been finalised. Schengen does not go into effect until all five parliaments have ratified it. If all goes well, this will be by end-1991. But the Dutch parliament has particular anxieties about data protection, and Belgium in particular has first to pass privacy and gun control laws. However, there is now a solid bedrock of treaty agreement between the Schengen Five. Today's agreement raises security and political issues that go far beyond

Schengenland. Will it give terrorists an easier ride around a large chunk of continental Europe, where events in Belgium last weekend again showed that the Irish Republican Army is vell-established? Or could improved co-operation among the police forces of the Five seal the terrorists' fate? Italy has been knocking for the past two years on the Schengen group's door. Thus far, the Five's response to Rome has been: "Our task is hard enough without you; with you it would be impossible." With the would be impossible." With the Schengen treaty now in the bag, and Italy tightening its own immigration policy, the Five may become Six. Spain, which has expressed interest in joining Schengen, might make It Seven. If Spain, why not fellow-lberian Portugal? But do not geography and absence of mutual trust pose limits to the Schengen free internal its to the Schengen free internal travel concept ever embracing all 12 European Community states, as the Single European Act said it should? What about Britain whose Prime Min-Ister has said: "It is a matter of plain common sense that we cannot totally abolish frontier controls if we are to protect our people"? Free travel between north and south in Ireland? What about far-flung Greece? Ironically, in the area of immigration and police. Schengen may bring nearer the prospect of two-speed Europe, a disjunction particularly worrying if it were to spread to other fields such as monetary union. Schengen has been a "sleeper". It

was born in 1984, out of frontier chaos in that year and a pact by Germany and France at Saarbrucken to ease formalities on their common border. Within months, the Benelux countries were clamouring for inclusion in this arrangement, given their generally happy experience with a common travel zone since the 1970s and the importance to them of the French and German markets. So in July 1985, the Saarbrucken Two became the Schengen Five. But it was overshadowed by the Single European Act then being negotiated, and its first stage was fairly pumy. Cars crossing Schengen-land's internal borders were hence-forth only to be subjected to random checks, providing they displayed a green disc confirming that all passengers were EC nationals obeying duty-free and currency rules. It never really worked.

A treaty will be signed today lifting all frontier controls on the movement of people between five European states. David Buchan reports

# Five go off to Schengenland



Schengen Information System to be set up with main computer in Strasbourg. Police may pursue suspects up to 10km into other member states. France will not allow foreign police to make arrests on its soil but the other four will.

Nevertheless the Five ground on. A reaty was in sight last December but West Germany had second thoughts because of events in East Germany. The puncturing of the Ber-lin Wall had effectively widened Schengen's external frontier to include East Germany. For three months the Schengen negotiations

Then, the cloud lifted in March, as it became clear that German unification would be a relatively swift affair, and that East Germany would become part of West Germany before Schen-

The treaty reflects an extraordinary degree of trust and commitment in such sensitive areas of sovereignty as immigration and policing

gen were ratified by the parliaments of the five signatories. So passed such temporary nightmares as the East German secret police tapping into the new Schengen Information System (SIS) computer. The Schengen treaty, secret until published today, says explicitly it "will apply to the territory of East Germany". However, the question of exactly

where Schengen's external frontier should lie was also raised by airports, particularly by Amsterdam's Schipol which handles a lot of transit traffic

people arriving from outside the EC and going straight on to another EC state. As Mr Piet Dankert, the Dutch minister for European affairs, puts it "It was vital for us that the arrangements at Schipol should not become too complicated, or else people will go to Paris or Frankfurt."

The agreed formula is that passen

gers arriving at, say, Schipol and gers arriving at, say, schipol and bound for another intra-Schengen destination will only have their passports checked if they change planes there; personal luggage, if checked through, will be examined only at its owner's final destination within Schengen. None the less, to allow redesign of Schengenland's international airports, the new air passenger control system. the new air passenger control system will not come into effect until 1993. The Schengen signatories claim and the European Commission has insisted — that no distinction will be introduced between EC travellers who happen to be citizens of Schengen countries and those who are not. The issue is where the check is made, not who is checked.

But of concern to all Schengen signatories has been the question of which non-EC citizens are allowed which non-EC citizens are allowed into their free travel zone. The Five are not creating a common visa for visitors, but agreeing mutually to recognise the visas which each of them grants. This, in turn, has required that they all agree to require visas of visitors from certain countries which recognises a feet agree. tries which pose either a risk of secu-rity or illegal immigration. In fact, the 12 EC states are working to establish the same sort of negative list of countries whose citizens would require

Schengen treaty becomes vises to visit the Community – work which might lead to an EC conven-tion by the end of this year. The nega-tive list of the Schengen Five and the

implementation:

from today none of them can change its visa policy without agreement of The Schengen procedure on politi-cal asylum will be roughly identical to that agreed in a convention signed by all EC states, bar Denmark, last Friday. The responsibility for consid-

EC 12 is pretty similar, with 60-70 countries on it. The difference, however, for the Schengen Five, is that

Germany, France and the Benelux countries will not become one jurisdiction. But there will henceforth be inside Europe the free travel zone of Schengenland

ering asylum requests will, generally, lie with the state that first let in the asylum-seeker. This is designed to prevent refugees shopping around Schengen, or the EC, for a home, while giving the asylum-seeker a guarantee that at least one state will give him a hearing. However, the Schengen Five will also try to harmonise standards as well as procedures for asylum, involving, again at Dutch insistence, the United Nations High Commissioner for Refugees. There has to be a balance between

freedom and security," says Mr Paul De Keersmaeker, Belgium's European Affairs Minister, "and this means at the very least free travel must not lead to an increase in insecurity."

But agreeing on the necessary police and judicial co-operation has police and junious (to-operation has touched many a neuralgic nerve among the Five The centrepiece of this will be the SIS computer housed in Strasbourg, into which the Five will pool the details of a) people for the computer house the strandard manner to the strandard manner. whom they have issued extradition orders, b) non-EC entrens they consider undesurable, c) people who have gone missing, and d) people cited in a judicial or regular police inquiry. The Five's intelligence services will also be able to use the SIS to track those they consider a serious security risk.

Not surprisingly, the prospect of this electronic Big Brother has set libertarians' nerves jangling, espe-cially among Dutch and some German (Free Democrats) politicians. To reassure them, individuals are to be able to appeal against being wrongly entered into the SIS, and there will be six bodies (five national and one central) to monitor SIS operations. A sine qua num of Schengen's ratification is that Belgium, the only one of the Five without a specific privacy law, must ratify the Council of Europe convention on data protection. None the less, Mr Dankert describes his own Dutch parliament as "not quite satisfied", a state that he hopes to remedy as the treaty becomes public and proper applanation of it provides explanation of it possible.

In addition to tracking criminals electronically across borders, chasing them physically across frontiers will also become easier. The three Benelax also become easter. The three benefits countries have long allowed each other's police to chase suspects and make an arrest up to tokin into each other's territory. This mutual right of "hot pursuit" will, under bilateral arrangements, exist among all of the Five, but France's partners will have no right of arrest on French soil. To make this work more smoothly. Mr Dankert forecasts that in the next Europe-wide discussion of the alloca-tion of radio frequencies, the police forces of the Five will all ask for the same band and buy identical equip-

The SIS network is exciting the neighbours' interest. "While there may be deficits of security in the Schengen free travel zone, improved police co-operation is clearly the way forward, says Mr Roger Birch, chief constable of Sussex who also chairs the international committee of Britain's Association of Chief Police Officers (ACPO). However, quite apart from the UK Government's disinclination to join Schengen, he concedes that differences in data protection law would, alone, preclude outside forces being able to tap into the SIS. What ACPO would like, instead, is more action on the EC level, including establishment of a EC Police Council so that discussion of how to police a frontier-free Europe is not left totally to home ministers and their civil ser-

Schengen's politicians say extending their achievement will not be easy, "We have worked years on technical co-ordination and harmonisation," says Mr De Keersmaeker, "that's why we can't let Italy just sign, it has to accept our ecquis.

Yet the alternative to Schengen, the piecemeal approach, is not promising either. Mr Dankert says: "I am pessi-mistic about the possibility of the 12 being ready to agree the whole systems of treaties they need to do away with border controls." Schengen covers what would otherwise have gone into eight or 10 separate treaties. he says. Imagine 12 governments, or even the remaining seven non-Schengen members of the Community, rati-fying that number of treaties, and it is easy to see that "the risks of not getting to an end of that process are

# Taking back the icons

■ Brian Unwin, chairman of HM Customs & Excise and another of the new knights in last week's Birthday Honours List, has just taken a bag-ful of icons back to the Soviet

No-one is saying exactly how they were picked up or how much they are worth, or indeed what would have happened to them if Customs & Excise had not hit upon the idea of handing them back as a gesture of goodwill.
The icons were seized by

British customs officers some months ago as illegal exports from the USSR. The British Museum confirmed their enor-mous cultural, but priceless financial, value. Then Unwin was officially invited to Moscow, so he decided to take

the icons with him. The word is that British and Soviet customs officers are now co-operating quite closely. One element of perestroika is that the Soviets want to prevent illegal exports and they are looking to Britain for help on a database. Eventually, the database will be harmonised between the Soviet Union and the whole of the European Community. Co-operation on preventing drug smuggling

Apart from his customs duties, Unwin is the Board Secretary of the English National Opera. Thus, along with returning the icons, he fitted in a visit to the ENO's performance at the British Week in Kiev.

began two years ago.

# Top hole

■ There was one game to play in the annual golfing match between the Treasury and the Bank of England at Sudbrook Park in Richmond last Friday. The Treasury was leading by three games to two. Some of the best names, if not necessar ily the best players, had been kept to the last. For the Trea-

# **OBSERVER**

sury there was Sir Robin But-ler, the Secretary to the Cabi-net, playing with Sir Terence Burns, the Chief Economic Adviser. For the Bank there was David Pollitt, a member of the personnel department and generally known as "Harry", playing with the Gov-ernor, Robin Leigh-Pemberton. It was the Governor who clinched it at the last hole. The result was three games each.

Smaller plates Diplomatic number plates can provide cover against many incidents, such as park-ing fines, being towed away and even terrorism. And, it would seem, some non-diplo-mats have been profiting from such opportunities. Now, however, the Diplo-

matic Protection Group, which looks after the fortunes of resident diplomats in co-ordination with the Foreign and Common-wealth Office, has issued diplomats with new plates with a view to reducing abuses.

The new plates are slightly smaller than last year's crop. The shapes of the letters are different: for example, there are longer tails on the "E"s and the all-important "D" in the middle. Along the bottom is inset a line of letters — simi-lar in intent to the metal strip in banknotes — to foil the would-be forger. Incidentally, while on the

subject of forgery, the new smaller £5 note is being described in the highest monetary circles as "the ultimate in counter-forgery technology."

# Big question

■ What do you do about a let-ter like this? "Dear Sirs, I am a child aged 15 and presently studying for my GCSE in Economics...The question that I must answer is: Are the large private sector firms more



"He's re-enacting being a deserter from Waterloo."

important to the economy than small private sector firms? I must answer this question using the effects of large and small private sector firms on both the economy and the con-sumer. For example, Employ-ment affects the economy while Prices affect the consum-ers. I am specifically interested in the Government's attempts to increase the number of small firms.

"I would be extremely gratefull (sic) if you could fax this information to me on the above number."

I suppose the first answer is that you admire the initia-tive of the pupil in writing to you. You also do your best to help, though our library is starting to wonder whether there should be a charge for such services, perhaps espe-cially if a 15-year-old corre-

spondent has his own fax. But the main thought is that it is a ridiculous question to be asked in GCSE economics. It is remarkably similar to some of the questions posed in my daughter's GCSE geography paper. In terms of exam results, she may have done

well enough in her answers, but I doubt if she had the faint-est idea what it was all about. If this is modern practical education, one prefers the older-fashioned ways.

#### Another draw Fifa, the governing body of

world soccer, is bracing itself to face an embarrassing statis-tical twist in the World Cup. In qualifying Group F all four teams — England, the Nether-lands, the Republic of Ireland and Egypt — have identical records. All four group mutches have been drawn. Each team has two points from two games and they have scored and conceded one goal. opiece.

If the last two matches in

the group on Thursday evening produce another pair of photo-copy results, say, two goalless draws, all four will finish level. Although some part of every World Cup has been played in groups, this has never hap-pened before.

Fifa will decide who goes

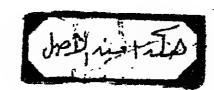
through to the next round by drawing names from a meta-phorical hat at the press centre in Rome on Thursday night. Nobody knows whether two or three names would have to be drawn: while the two top teams in each group qualify automatically for the second round, only the four best third-place teams do so. Guido Tognoni, the Fifa press officer, says there are no plans for Sophia Loren, who pulled balls out of bowls at the World Cup draw last December, to assist again. Loren has been spotted at the World Cup, but perhaps a bet-ter choice would be Diego Maradona, who was a candidate for Fifa's Fair Play prize as the epitome of sportsmanship at the Mexico World Cup and

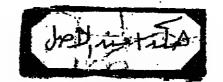
# So many

What did the male centipede sy to the female centipede? I like your legs.

is adroit with his hands







Janet Bush looks at the US financial regulatory system

# Thin line against con-men

"THE financial planning industry is in many ways still in the days of the Wild West. The marshal hasn't ridden into town, there's mayhem on the streets, a lot of random shoot-

Scott Stopf of the North American Securities Administrators

HE sight of Mr Michael Milken, creator of junk bonds, sobbing as he pleaded guilty to securities fraud, or Mr Ivan Boesky, the former arbitrageur jailed for insider trading, admitting to a Manhattan courtroom that he was an inveterate liar, provided the public with the most potent images of white collar

The successful hounding of these celebrated fraudsters also gave the impression that the Securities and Exchange Commission (SEC), which over-sees the US securities industry, is a vigorous force to be reckoned with, a draconian guardian of the rights of America's estimated 50m investors.

It is no wonder that the SEC is regarded by many UK invesis regarded by many UK inves-tors and regulators as a model for the powerful, centralised agency they want to replace the fragmented regulatory sys-tem thrown up by the 1986 Financial Services Act. The creation of such an agency is not on the political agenda, but is the subject of much talk is the subject of much talk – particularly when a Barlow Clowes or Dunsdale Securities exposes the ineffectiveness of one investment regulator or

another. But British investors would do well to take note of the picthe US investment industry offered by Mr Scott Stapf of Nasaa, the umbrella organisation for state securities regula-

Although the SEC has had some notable and highly publicised successes, it has a budget of only \$192m a year and a modest enforcement staff of 314 out of a total of 2,300 employees; its investment manage-ment division, which oversees the mutual fund and investment management industry.

has a paitry 152 staff. Mr. Gene Goelke, associate director of the SEC's division of investment management, estimates that his inspection staif of 60 manages spot checks on as many as 1,500 investment advisers per year. The trouble is that there are at least 16,500

The second secon



Michael Milken: potent image

registered advisers in the US which means that each one gets a knock on its door once

every 11 years.

"That is not a lot of protection," he said, bemoaning the Commission's limited

commission's limited resources. "But at least no adviser knows exactly when we will visit, which acts as something of a deterrent."

The demands on regulators are enormous. The SEC's estimate that there are around 16,500 advisers takes in only those who are registered. those who are registered. Nasaa reckons there are about 250,000 individuals purporting to offer investment advice, while the Consumer Federation of America believes that there could be as many as

One of the elarming features of this industry is that invest-ment advisers do not just offer wisdom and financial planning, but manage investors' money. Ms Barbara Roper, legislative representative at the Connumer Federation of America, believes that investment advisers handle more than \$4 trillion, around 25 per cent of the public's assets.

Another element of great concern to regulators is that it is almost impossible to get an accurate picture of what is going on around the country. Practically anybody can registrate the country of the country. ter as an investment adviser with the SEC because the fee is a pattry \$150. So-called investment "boiler rooms" can set up one day, lure in investors' money, and disappear shortly

afterwards. The difficulty of cover more of its costs. tracking the sector is made On a state level, Nasaa has obvious by the different estimates on the amount of fraud believed to be perpetrated. The Consumer Federation puts the amount lost by investors through fraud and incompetence at around \$1bn a year; Nasaa believes that investors are milked of \$40bn from investment scams of all types

As in Britain, US regulation of the securities industry is multi-layered. Oversight by the government-appointed SEC under the investment Advisers Act of 1940 is supplemented not only by self-regulators in the industry, but also regulators at state level who have laws modelled on the 1940 Act.

The investment management sector of the securities market is unique in the US because it does not have a self-regulator. The brokerage industry, for example, is regulated not only by the SEC but also by exchanges such as the New York Stock Exchange and the National Association of Section 1981 National Association of Securi-ties Dealers, which oversees the over-the-counter market.

the over-the-counter market. Self-regulatory organisations such as these do a great deal of day-to-day policing work.

The SEC sent a proposal up to Congress last year suggesting the creation of a self-regulatory organisation for the investment management and mutal fund industry, but legislators have so far not actively addressed the issue.

There are, however, initia-

There are, however, initia-tives at state and federal level to sharpen the fight against

In Congress, Representative Rick Boucher of Virginia has introduced a bill which would amend the 1940 Act to improve disclosure to investors, authorise the SEC to levy civil penal-ties for violations of the law currently there is nothing in between administrative actions and full criminal prosecutions
— and strengthen the right of
investors to bring suits against their investment advisers.

their investment advisers.

There are also moves on Capitol Hill in favour of strengthening the power of the SEC, including its resources. One proposal is that the SEC should, to some extent, be self-tunding. As things stand, the SEC hands a large share of the fees it collects when investment advisers register to the US Treasury. One argument gaining ground is that it should retain these fees to

drawn up its own Model Invest-ment Adviser amendments which have already been ow that peace has been officially proclaimed in Europe and architects

everywhere are busily con-structing dwellings for the lov-ing east-west couple, it has become almost an embarrass-ment to talk of defence. Nato and the Warsaw Pact, the glad-

intors of old, are both begin-

ning to underline their politi-

cal rather than their military

role in a belated attempt to adapt to the speed at which

For the Warsaw Pact, it is a

case of force majeure. The mili-tary alliance has virtually dis-

ntegrated as the result of the

collapse of most of the East European communist regimes

and the unilateral withdrawal

of a substantial number of

Soviet troops and their equip-ment. It is hardly surprising therefore, that Moscow should

be calling for the ultimate dis-solution of both military pacts, and their replacement by a col-

lective security system under the umbrella of the 35-nation

Conference on Security and Co-operation in Europe (CSCE).

that many people in the West, and not only in Germany, support the argument that there is no longer any need for powerful military alliances with large nuclear arsenals, given

the greatly diminished threat of attack from the East. But

there are some very good rea-sons why Nato is right not to swallow the whole of this bait,

while nevertheless doing everything possible to promote political co-operation with the East and to speed up the arms

control process.

The "end of conflicts" theory is not one that inspires great confidence. President Mikhail Garbachev's durability is by no

means a foregone conclusion, as the latest political events in the Soviet Union have demon-

strated only too clearly. While it seems most unlikely that the

Soviet Union will ever revert to

communist orthodoxy, it is cer-

tainly conceivable that it could, one day, again take a much harder line in its foreign

and defence policies. Eastern Europe remains unstable and tensions in the region could easily spark off a wider config-

gration, as has happened in the

Yet an effective collective

security system embracing nations as geographically distant and with such diverse interests as Belgium and Bulgaria is no more than pie-in-the-sky. Would Norway agree to give a security guarantse to five as security guarantse to five as security guarantse to

Hungary, if it were attacked by Romania as the result of an ethnic dispute? Such a system

There can be little doubt

Europe is being transformed.

adopted by eight states and are being considered by at least 30 others. These set up a frame work of more stringent control of the industry, including fre-quent inspection of books and records and a thorough testing requirement for advisers. Some securities offices in

states which have had a particularly egregious history of con artists have had some success in attracting more state fund-ing to fight fraud. Florida, a favourite target of phony investment planners because of its large population of wealthy, elderly people, has doubled its resources since 1986 and cut the number of illegal investment boiler rooms

from 800 to an estimasted 20. The variety of investment scams is almost endless. One financial planner from Washington state was charged with stealing \$7m from around 400 investors promised between 30 per cent and 40 per cent returns on an offshore bank's trading in Certificates of Deposit, precious metals and "international arbitrage trad-ing." State investigators found ing." State investigators found that the bank, in the Marshall Islands, a US protectorate in the Pacific, was a gas station owner who went to the local post office and simply remailed investor cheques back to the financial planner.

In Georgia, a former pastor of a Baptist church in Ala-bama, who offered Christian financial planning to churches and their congregations, was sentenced to five years in prison in 1988 for cheating more than 16 investors out of

State regulators believe that the latest serious potential source of fraud is enthusiasm about investing internationally and Nasaa is compiling a report for a House Government Operations sub-committee.

It believes that investors have an "abysmally low level of awareness" about overnous regulations, which are often less protective than those in the US and that it will be very difficult for US regulators to pursue actions against boiler rooms based offshore.

Mr Stepf said: "Our concern now is that there is an uncriti-

cal suphoria about investing overseas. Its like the Oklahoma

FOREIGN AFFAIRS

# Discreetly embarrassed by defence

Nato remains the best security insurance policy, maintains **Robert Mauthner** 

ceivable in the present embryonic state of the east-west rela-tionship - or, possibly, if the two superpowers agreed on joint action, with the support of other nations, which is unlikely to occur very often.
For the West, therefore, Nato
remains the best security
insurance policy, even though
the new situation in Europe
clearly requires that it, and what remains of the Warsaw Pact, should be dovetailed into new east-west political and conflict-management forums like the CSCE. Nato has already proved itself as an effective western co-ordinating forum for arms control negotia-tions and that function will continue for the foreseeable

ments have been far from open in discussing the practical con-sequences of Nato's new policy "minimum deterrence" in detail, because it is a political minefield.

The need to smooth the way to German unification and to persuade the Soviet Union to accept that a united Germany should remain a member of a less military-oriented Nato, has inhibited the debate about the controversial issue of nuclear modernisation. President George Bush briefly burnished Nato's new peaceful image by his termination in May of the programme to replace the programme to replace the Lance ground-launched nuclear missile with a more up-to-date version and the can-

The 'end of conflicts' theory is not one that inspires great confidence. President Mikhail Gorbachev's durability is by no means a foregone conclusion

future. What will be much more difficult to decide is the new military strategy and the level and type of weapons appropriate to the much-reduced threat from the Soviet. Union and potential "out-ofarea" enemies.

There is general agreement, in the time-honoured language of Nato ministerial communiques, that "an appropriate mix of conventional and nuclear forces, at the lowest levels consistent with our security needs" is required to guarantee the member states' security. It is the kind of formula to which everyone who accepts that conventional weapons alone have never stopped wars from breaking out - but that nuclear arms have played a vital role in preventing major conflicts in Europe over the past 40 years or so — can sub-

cellation of the modernisation cellation of the modernisation of US nuclear artillery shells based in Europe. Yet it was clear that these weapons were in any case no longer of great use to Nato, given that their short range would allow them to be used only against East Germany, shortly to be incorporated in a unified German state, or other newly democratised East European countries.

tised East European countries. The American decision, coupled with an offer to open negotiations with the Soviet Union on the reduction of existing abort-range nuclear forces (SNF) in Europe as soon as a conventional forces reducas a conventional forces resuc-tion agreement is reached with the Warsaw Pact, is by no means the end of the story. Nato may have decided to abandon all ground-launched SNF missiles in Europe, but it is still wedded to the principle

"sub-strategic" arms to fill the gap between conventional forces and strategic missiles, as part of its flexible response

strategy.
Thus, what threatens to be another acrimonious debate within the Alliance and with the Russians over Nato's devel-opment and possible deploy-ment of new air-launched mis-siles, has merely been postponed. It is a foregone conclusion that a unified Germany will not want these weapons based on its territory, whatever Mrs Margaret Thatcher may say about the need for their forward deployment. That much has already been made clear unofficially by spokesmen for Foreign Minister Hans-Dietrich Genscher's Free Democratic Party and, more publicly, by the opposition Social Democrats. Mr Helmut Kohl, the Chancellor, and his Christian Democratic Party may well have other ideas on the subject. But he will certainly want to keep such a sen-sitive matter under wraps until the German election, at the end of this year or the begin-

ning of next, is out of the way. As for Moscow, it will merely see the development by the US for Nato's use of the Tactical which can reach the Soviet Union when fired from an aircraft, as inherently destabilising and a way of circumvent-ing any short-range nuclear agreement. Nato will certainly want to keep air-launched weapons out of the forthcom-ing SNF talks, but the Soviet Union can be expected to use the negotiations as a means to block the deployment of the

TAGM. Significantly, Nato ministers and spokesmen are going out of their way to tell the world that decisions on the airlaunched missiles, which would be ready for deployment in the mid-1990s, are not urgent and will not be taken by Heads of Government at their summit in London at the beginning of

July.
Yet it is difficult to see how the problem can be ignored altogether. Nato leaders are supposed to be discussing the political and strategic implica-tions for the Alliance of Ger-man unification. That means talking about nuclear weapons in some detail. To sweep such a vital problem under the carpet may be advisable for a host of short-term political reasons. But the nettle will have to be grasped sooner than later if Nato is to forge a credible new

\*The forthcoming SNF negotia-tions, by William D. Bajusz and Lisa D. Shaw, Survival July

# THE STATE OF THE SECOND STATES OF THE SECOND STATES

### Step by step to EMU

From Mr Roger Grazebrook. Sir, Peter Norman and Tim Dickson's article ("Belgium reveals plan for overhani of money market," June 14) raises some topical issues regarding the role of a central bank in

the European Community, But nowhere in their article do they make reference to Eco-nomic and Monetary Union (EMU), which may perhaps explain certain of the Belgian Government's plans for financial sector reforms.
Two considerations come to

mind:
The greater independence planned for the Belgian central bank could also be seen as a preparatory step towards the European System of Central Banks (ESCB), or EuroFed, proposed in Stage II of the Delors Report and currently the subject of serious discussion by the member states of the EC. One of the principal aspects is the degree of autonomy that the new European central bank should be allowed to have, and there is a strong body of opinion that supports the argument that the central bank should be in a position to take day-to-day decisions on open market operations and intervention tactics without the need to refer to the politi-cal authorities of the EC. In this sense it would be independent - but of course democrat-

ically accountable. The discussions initiated by the publication of the Delors Report also address the issues of fiscal deficits and prudent budgetary policies in member states, which are seen as essential to the proper functioning and success of EMU. The opin-ions vary, but there is an overall consensus that some co-ordination of macroeconomic policies will be necessary at Community level in support of monetary policy. One of the principles advocated in this respect is that the EuroFed should not be expected to finance the budgetary deficits of member states, and therefore the statement in your article, that the Belgian National Bank "will no longer extend credits to the government to finance its deficit," would again suggest that their planned reforms are preparatory steps for EMU.

Roger Grazebrook, European Community Adviser, 71 Lambard Street, EC3

# The point of statutory securities regulation

From Mr R.P. Wilkinson.
Sir, Mr Wills (Letters, June
15) says there are better examples to follow than a "Statutory Regulator in the style of
the US Securities and
Exchange Commission (SEC)."
He commends the statutory
regulatory systems in Canada

regulatory systems in Canada and Australia. Mr Wills has missed the point - or, rather, two points. First, Mr McCrindle (Letters, June 12) was citing the example of the SEC as a statutory commission as opposed to the Securities and Investment

Board, which is statute-backed. Second, in citing Australia and ada as better examples, Mr Wills is apparently oblivious to the fact that in both countries the present regulatory systems are beset with statutory prob-

In Australia, the National Companies and Securities Commission and the Corporate Affairs Commissions of the states are being replaced by a federal Australian Securities Commission. In Canada, the provinces have their own securities commissions which are quite dissimilar in their powers and authority; there is no federal regulator. In both countries there is

recurring discussion, not to

sures are separate decisions.

Professor Desai implies that

intelligent government intervention leads to a better industrial structure. To a degree this

Is true. There is active govern-ment involvement in Poland's re-industrialisation and privati-

sation, but this is strongly influenced by the terms associ-

opposed to central government in securities regulation as well In the US the position of the

In the US the position of the SEC vis-à-vis the individual state regulators is well defined, even if there is argument between SEC and CFTC (Commodities Futures Trading Commission) over regulation of stock options and futures. The SEC may not be the best securities regulator, but I would not accept that those in Canada and Australia are better. Not, I suspect, would they. R. P. Wilkinson.

Bessels Bouse, Bessels Green, els Greez.

Bessels House, Bes Sevenoaks, Kent.

# Courage needed for change in Polish industry

the sake of living standards and political stability. Poland must therefore win investment from abroad and live with some inequality at home. The Green argument has From Mr Mark Schor Rylski. Sir, Professor Desai (Lettern, June 15) argues for greater consensus on the changes in Poland so that Solidarity's stabilising effect is maintained. He thinks Poland's industries won support in Poland, where industrial pollution is at crimi-nal levels. But commercial and environmental company clo-

need protection.

De-industrialisation is the price paid for historical neglect (or misuse) of investment in equipment, people and mar-kets. Few countries can afford to defer the closure of uncommercial businesses, even for social reasons. The cost is then met elsewhere, and is doubled as opportunities are lost. Poland, especially, cannot sup-port outdated industries; it must raise its GNP and it must

ated with western capital. His parallel with the UK export competitive products for Music to alarm the birds

From Mr Art Lance. Sir, Your report of UK Gov-ernment support for the Rain-ham Leisure complex ("Boost for Rainham leisure complex, June 11) made no mention of the important environmental concerns. Rainham Marshes forms part of an area of national importance for wild birds and other wildlife, and it has been identified and designated by the Government's own advisers on nature conservation, the Nature Conservancy Council, as a site of spe-cial scientific interest (SSSI).

The Government, despite its professed concern for SSSIs, made the extraordinary decision not to call a public inquiry to examine properly the development proposals confronting Rainham - the largest remain-ing SSSI in the London area. The Royal Society for the Protection of Birds finds the

Government's handing out of money as a "sweetener" to the Music Corporation of America (MCA) disturbing.

The £16m package proposed by MCA to mittgate the effects of its development can now

more correctly be seen as an attempt to "buy off" opposition from conservation objectors. The approval of Mr Chris Pat-ten, Environment Secretary, and the reported \$250m government incentives on offer, make MCA's package look like a shrewd investment.

If such sums of public money are to be made available to support this project it should be easy to find a more environmentally acceptable location for Universal City. The most obvious is surplus agricultural or derelict land.

Art Lance, RSPB, The Lodge Sandy, Bedfordshire

must be challenged. UK industrial development has been beld back because we have not used our best brains for busi-ness, not because of the free

market economy.

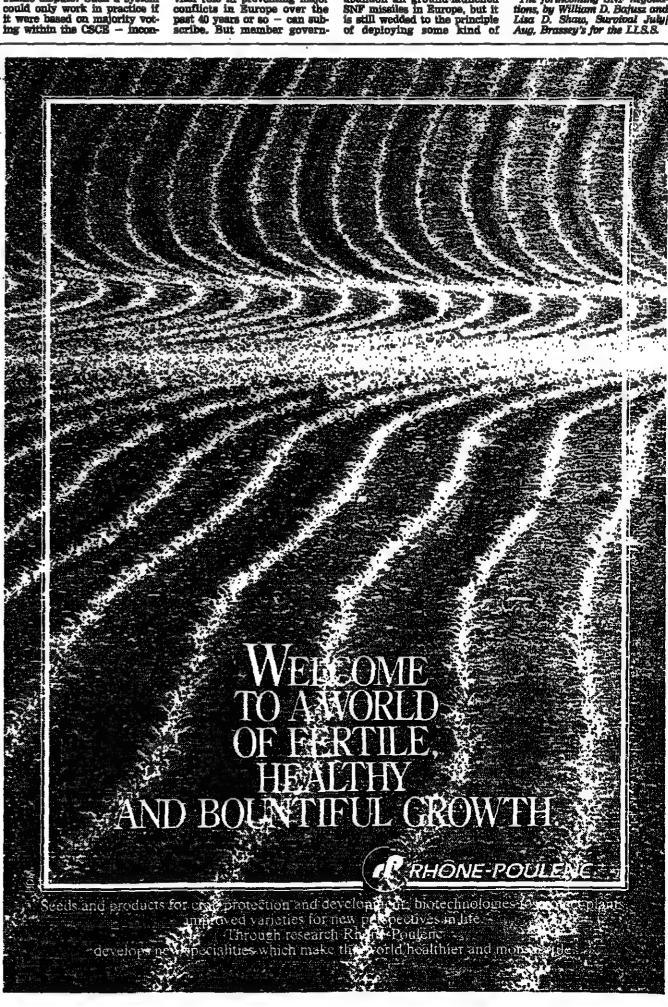
Professor Desai is rightly concerned by the vicisitudes which will befall the Poles (why does he refer to them as workers?). In arguing for consensus, however, he argues against change. The choice lies between long, maybe perma-nent stagnation and decay, or a shorter term pain. Therein lies the courage of the actions being taken in Poland. Mark Scibor-Rylski, 33 Harley House, Marylebone Road, NW1

# Paying for it by degrees

From Mr G.D.W. Smith. Sir, There is one vital thing

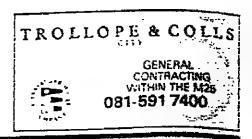
missing from Lynton McLain's otherwise excellent article ("The mechanics of a modern world," June 15) on the falling number of applications for degree courses in engineering salaries.

Universities may tinker with the structure of their courses as much as they like, but until employers are prepared to pay graduate engineers the sort of money they offer routinely to lawyers and to recruits into business and/or business management, the problems will persist. G.D.W. Smith



# FINANCIAL TIMES

Tuesday June 19 1990



# Guerin is ordered to repay Ferranti \$189m

By John Authers in London

MR JAMES GUERIN, the man at the centre of the arms contracts scandal which forced Ferranti, the UK electronics and defence company, to suspend its shares on the London Stock

Exchange, was yesterday ordered to pay back \$189.9m to the company.

A judge at the High Court in London labelled his written response to questions "contemptuous" and "illusory." Extracting the money may present difficulties, as much of it has still to be

However, representatives for Ferranti said that they had located some of the assets and they regarded the judgment as an "important step" towards retrieving at least some of the

Coopers and Lybrand, the accoun-

tants, judged \$189.9m to be the net outflow from ISC Technology, an arms contractor chaired by Mr Guerin which was taken over by Ferranti in November 1987, to a web of at least 30 Panamanian companies which Mr Guerin

now admits setting up.

Mr Justice Hoffman struck out the defence offered by Mr Guerin, an American citizen, saying his sworn statements showed a determination on his part not to assist the companies in locating the money in any way. He said: "As Mr Guerin is out of this

jurisdiction, the court has no sanction against him except to say that anyone who wishes to defend proceedings in this country is required to play accord-ing to the rules of this court. He has could be contacted in the US.

ISC first served a writ against Mr Guerin on November 30 last year. The judge made his ruling in favour of ISC after hearing the affidavit which Mr Guerin filed in response to an order made by the High Court on April 11

The affidavit revealed that the managing directors of Panamanian companies, who signed documents in names such as Blumenthal and Rousseau, which Mr Guerin counter-signed, did not exist. The judge concluded that if these people did not exist, it must fol-low that Mr Guerin was saying that they were not genuine contracts.

"If they were not genuine contracts, then the money must have been paid

Neither Mr Guerin, nor his lawyer, out for some alterior purpose and if it was, then Mr Guerin must know something about what happened," said the

> Mr Guerin failed to provide details and information about what had happened to the payments, amounting to \$450m, made from the beginning of 1984 onwards, on behalf of ISC to five Panamanian companies, and 26 other Panamanian companies linked to them. The information requested included relevant names and addresses of third parties and bank account numbers. Mr Guerin claimed that he could remember none of these details.

> The judge commented that to lose sight of this large a sum of money. "looks like carelessness, as someone

# Japan fails to settle dispute on emissions

By Robert Thomson

THE Japanese Government yesterday announced a new environmental policy on global warming, although an internal dispute left it unable to set a target figure for reducing car-

bon dioxide emissions.

Mr Toshiki Kaifu, Prime
Minister, published the new policy yesterday, but the obvi-ous indecision could be embar-rassing for Tokyo, which is keen to play a greater international role on the environment.

The Government has yet to reconcile an argument between two ministries, the Environ-ment Agency and the Ministry of International Trade and Industry (Miti), and intends to wait until at least the autumn to set a goal for carbon dioxide

Miti argues that Japan's missions, the fourth highest in the world, must increase by about 1.3 per cent a year for the next decade if the country is to maintain economic growth. The Environment Agency wants to stabilise emissions at the present level by

the year 2000. The Government said an "appropriate goal" for carbon dioxide discharges could be announced later this year, but senior Miti official emphasised that the government pol-icy statement did not impose any obligation to set a target.

Japan plans to table the new
policy at the G-7 summit in

Houston next month. The Environment Agency and some senior politicians had hoped to release a carbon dioxide target figure at that meeting, which is expected to highlight envi-

Under the policy, carbon dioxide emissions will be kept "as low as possible" and emisas low as possible and emis-sion-reducing proposals and technology will be closely examined in the coming decade. But the policy cautions that a target must bear in mind Japan's "international sconomic role" and the "proper management of the economy."

A senior official at the Envi-

ronment Agency said continu-ing debate over global warming would mean a "hot summer" for the Government, and policies announced by Britain and other European countries had put extra pres-sure on Mitl.
"Many senior Japanese poli-

ticians would like Japan to play a big role in the environ-ment movement and these politicians are hoping that Japan will not be regarded negatively on the global warming issue. Everybody in the ministries is aware of this feeling," the

But the senior Miti officer suggested that the disagree-ment with the Environment Agency was a matter of "nuance," and said the Govern-ment should set "a real target, not a political target" for carbon dioxide emissions. Haifu admits aide sold shares despite ban, Page 6

# Taiwan alters reserve policy

and were not being actively traded. "The central bank operation in gold is not for profit."

Mr Shieh added that in spite of downwards pressure on the New Taiwan Dollar, the central bank would intervene to maintain it at around its present rate of NT\$27.50 to the US dol-lar. This was part of its policy of seeking to hold inflation at

# Sketchley seems to have

fallen prey to every vice of 1980s' management. The vending business over-stretched itself while making acquisitions; the office services division lost its managing director immediately at the end of his earnout period. Shareholders can at least draw consolation from the fact that management, non-executive directors and advisers are all departing. While they can argue about their share of the blame, none emerge with any

It is the nature of rescue teams to tell horror stories about the previous management. But a change in accounting policy which refuses to recognise the residual value of leased vending machines is not overly conservative; it is just sensible. Sketchley's businesses are still in a mess. Messrs Bloom and Richardson, the new management team, will have every opportunity to justify their high-flying reputa-

#### BAA

When a company reveals much more than usual about itself, as BAA did yesterday in its annual figures, it may sound churlish to start com-plaining. But there is something strange about BAA's decision to put a value on its runways and terminal buildings. Not that there is anything suspect about the figure the external valuers have produced. At \$3.96m, or \$7.85 per share, it is at the top end of what the City was expecting; but the details of the exercise, which valued the expected income stream from BAA's terminals on yields of about 8-10 per cent, sound sensible. The puzzle is to work out why BAA felt the exercise was necessary. It is startling too that BAA has chosen as chief executive, Sir John Egan, a manufacturer, rather than a manager with a successful record in the service

In a sense, the asset valuation tells us nothing more than

# Sketchley washes its dirty linen

THE LEX COLUMN

Shareholders in Sketchley have been kicked in the teeth so many times they must be Share price relative to the sending out for dentures. The directors and advisers NM FT-A All-Share Index Rothschild told them to reject two bids on the basis of a £6m profits forecast. That forecast was compiled on the basis of accounting policies agreed with auditors KPMG Peat Marwick Mclintock. Now share-holders are told the forecast was wrong, the accounting policies were wrong and could the company please have £21m because it is in breach of its banking covenants?

> and-loss figures. Given that BAA's terminals are not about to be auctioned off, it is academic that the current share price, at 423p, reflects only a fraction of their open-market valuation. More relevant are the facts that pre-tax profits will stagnate at about \$220m this year and next due to capital spending at Stansted, and that the trend of passenger growth reinforces the view of BAA as the best UK play on world aviation, with the MMC as the only major potential pit-

1989

is that the valuation is a pre-emptive strike against BAA's 9 per cent shareholder ADT. But if so, it would be like opening the Dom Perignon an hour before the guests arrive; and a shot in the foot, since it makes BAA's return on assets appear

For a company which spends so heavily on investor rela-tions, BET must be wondering whether it is worth the effort. Its level of disclosure is better than most, its earnings are growing steadily and yesterday's full year results confirmed another healthy improvement in trading margins. Yet even on conservative assumptions, BET is selling on eight times earnings and yielding 7% per cent prospectively. Its gearing looks high, but its interest charge is covered 6% times, and its balance sheet will be transformed when it eventually completes its planned disposals BET is haunted by its image

of being a hyperactive acquirer, constantly diluting shareholders with share issues. However, it only increased its average equity base by 3 per cent last year and, if it is to be believed, is concentrating on This leaves the residual worry about its dependence for twoyesterday's excellent profit- thirds of its core profits on a

slowing UK economy, A UK service company is far less vil) nerable to a strong currency than many and BET's domestic profits should be reasonably secure; otherwise the City will want some answers. BET is a safe and boring LK conglomer. ate and its shareholders suffer when it trys to pretend ciner.

Gilts investors have been its, ing in ERM-induced cupheria for several weeks but yester. day's PSBR figures ought to have brought them down to earth with a hump. The CK's public sector finances are deteriorating with alarming speed. The running definition of the fiscal year is already £1.8bn and the government £75011 of 5 E bn surplus for the year looks a distant target. The poli tax seems to be having a double effect. It has increased spend-ing through the increased grants made by central government in an attempt to cushing the impact on voters and it has reduced revenues because of the public's rejuctance to pay

With some analysts estimated ing that the public finances could merely bulance in 1990; it now seems to be a question of when, rather than if, the government will be issuing gilts this year. Mr Major was want to avoid a clash with November's electricity privat-sation but ERM early might provide just the ment psycho-logical moment to resume usa

### ECC/Bryant

It takes two views to make a market, as ECC's placing of its near-30 per cent stake is Bryant, the housebuilder makes clear. For the insurtions who lought at \$4p, one can see the attraction. A prospective yield of about 7 per cent, with not long to wait for the next dividend, since Bryant's financial year ended on May 31; and the knowledge that they are having a quality company in loss of time to catch the full benefits of the next UK housing opturn. But ECC's attitude is also worth pondering. It has housebuild-ing of its own, and knows the 3 market, so it's decision to sellnow suggests it does not think a proper recovery in the sector is just around the corner. The overall impression from the episode is that it is starting to make sense to pick up stock in 🖫 selectively; but a solid raily in building shares is still some

# Troops guard the parliament building in Bucharest yesterday during the first session since last month's elections

EC delays economic pact with Romania By David Buchan in Luxembourg and Judy Dempsey in Bucharest

EUROPEAN Community foreign ministers last night delayed approval of a trade and economic co-operation pact with Romania to show their distaste for the violent suppression of protest demonstra-tions in Bucharest last week. It is also likely that Romania

will not now receive western aid from the so-called Group of 24 countries, which includes EC members, the US, Japan and other donor nations. The EC ministers' decision

came as Romania's parliament voted for police action against continuing anti-government demonstrations in Bucharest's University Square - scene of last week's bloody clashes.
The parliament, which is dominated by the National Sal-

MR Ernest Saunders yesterday denied that he had been brought to the verge of suicide by the strain of the Guinness

"I may have contemplated many things, but suicide, never," the former Guinness chairman and chief executive

said at Southwark Crown

He was being cross-examined

at the Guinness trial by Mr Michael Sherrard, QC, counsel

for one of his co-accused, Mr

Gerald Ronson, chairman of

the Heron group.

Mr Saunders was dismissed
by Guinness in January 1987
following allegations that he

had been involved in illegal share-support payments made by the company during its takeover battle for Distillers,

Mr Sherrard asked if Mr

Saunders knew that in March

1987, "you were regarded as a very serious suicide risk." Mr Saunders replied that he

had not known that. Suicide, he said, had never crossed his

the drinks group, in 1986.

Court London.

vation Front, approved a motion demanding that the against the protesters.

The EC ministers, meeting in Luxembourg, roundly critic-ised the Bucharest authorities "indiscriminate use of force" in putting down last week's demonstrations. Ministers from various EC countries, including Britain, have already condemned the Bucharest government for calling in miners.

who beat up protesters.
Freezing of the trade and co-operation agreement will have little immediate effect, as it provides a framework for further talks. But ministers regard it as a symbol of their policy towards eastern Europe, which aims at encouraging progress towards democracy

and market economies.

A majority of ministers backed a call by Mr Frans Andriessen, the EC commissioner for external affairs, to aid by the Group of 24. The last week, attempted to call for

of criticism at you of being liars and worse."

Mr Sherrard, "you went into a psychological nosedive of dis-belief, incapable of accepting

that you might, however inno-cently, have been a party to a serious breach of the rules."

Mr Saunders replied: "You are making up a very nice story here which may suit your book or that of your client, but it is simply not correct and I won't accept it."

won't accept it."

Speaking of his "disgraceful"

treatment by Guinness, which sacked him and cut him off

without funds, he said it had

been "the most brutally destructive act a corporation in

this country has ever perpetrated against a former chairman." The trial continues.

**WORLDWIDE WEATHER** 

At the end of 1986, suggested

G-24 will meet in Brussels on July 4 to consider their aid effort in eastern Europe. An EC official said Romania

now was unlikely to be invited to the meeting. Six other east European countries will be invited. However, there is a differ-

ence of emphasis among EC members over Romania. Britain is the strongest backer of the relatively tough Andries-sen line that also enjoys US support. But France and Italy are anxious not to sever contacts with Bucharest. The Romanian news agency

Rompres reported that in the 396-seat Romanian Assembly only 72 deputies voted against the motion backing police

The small opposition parties, whose headquarters were rana parliamentary commission to try to discover who brought in the miners and why the army and police were not prepared to impose law and order in the city. But no vote was taken.

Some deputies, including Mr Mihai Soha, deputy Minister of Education and an independent deputy, sharply criticised Pres-ident Ion Iliescu, who person-ally thanked the miners last Friday for their work.

Mr Iliescu was to have been sworn in as President yesterday but the ceremony was put off until later in the week. Sevthey would boycott the occa-

It is understood that relations between Mr Iliescu, Mr Roman and Mr Victor Stanculescu, the defence minister,

# Saunders denies he considered suicide By Raymond Hughes, Law Courts Correspondent, He described as "quite scurrilous and disgraceful" sugges-tions by Mr Sherrard that in early 1987 "you put your vanity before the truth and began to tell lies," and that since then, he had been "wriggling on your self-inflicted hook... accusing all who point the finger

West German Chancellor Helmut Kohl (left) and East German Prime Minister Lothar de Mazière in talks yesterday

# Kohl publicly backs German union in 1990

By David Goodhart in Bonn

CHANCELLOR Heimut Kohl yesterday gave his first public backing to full political union of the two Germanys and all-German elections this year. Addressing a Christian Democrat meeting in Bonn, he said that "1990 will be the year of German unity." Later on tele-vision he said that all-German

elections in December were "highly probable."

Mr Kohl's statements follow last week's decision of the ruling Christian Democrats in East Germany to back all-German elections this year and a growing consensus in the West German coalition for unity this

The Social Democrats in both Germanys are less keen on unity or all-German elections in 1990 but seem increasingly resigned to the fact. On Sunday night a special sitting of the East German Volkskammer unexpectedly debated a motion calling for

immediate unity. The Volks-kammer decided, however, to send it to a committee for dis-

The Interior Ministry in Bonn yesterday added to the unity rush by announcing that, in co-operation with the East German authorities, it was preparing a complete overhaul of East German laws to fit with West German ones.

Talks on the external aspects of unification continued yesterday between Mr Hans-Dietrich Genscher, West German For-eign Minister, and Mr Eduard Shevardnadze, his Soviet coun-

terpart, in Münster. The Bonn coalition remains divided about one aspect of all-German elections: whether the West German 5 per cent barrier for small parties should apply to East Germany, too.

The Christian Democrats want to waive the rule to keep alive the right-wing German Social Union in East Germany.

Continued from Page 1 stocks were all held in Taipel its current level of between 3

and 3½ per cent.

He said the period of rapid growth in Taiwan's reserves was also now over, as the private sector was exporting capital at a record rate. Some \$7.5bn had left the country this year. In 1990 as a whole, capital outflows were likely to exceed the projected current account balance-of-payments surplus of \$8bn-\$10bn by a wide margin.

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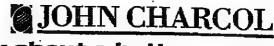
re-mortgaging, they offer you lower repayments - and protection against any more nasty surprises. But with many of them, there's a problem. A lot of people believe that interest rates will start to fall next year as the general election approaches; and there are few things more frustrating than being locked into a fixed-rate mortgage while interest rates That's why our new fixed-rate mortgage — which offers an

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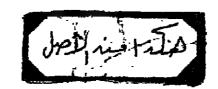
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# **FINANCIAL TIMES** COMPANIES & MARKETS

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Tuesday June 19 1990

# Kirin makes its

INSIDE



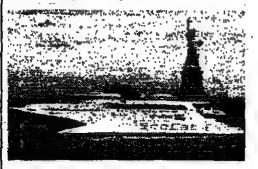
From today shares in Japan will be listed in London. Together with a Paris quota-tion on June 29, the move is intended to help internationalise

the image of a company which dominates been sales in rural Japan and has thus been considered somewhat provincial. Robert Thomson talks to Mr Hideyo Motoyama, president of Kirin, about the ambitions of the Japanese

#### Orix buys rights to 74 Airbuses

Orix, the fast-growing Japanese financial group, is buying contract rights to acquire up to 74 A320 aircraft from Airbus Industrie, the European aircraft maker. Orix said the transaction was "a giant step" towards becoming the first Japanese company to make a substantial move into the operating lease business for aircraft. Stefan Wagstyl reports. Page 24

#### Salfing along on the crest of a wave



It was first won by the British steamer Great Western in 1838, and is currently held by the liner United States. Now, for the first time since 1952, an official attempt is being made on the Blue Riband for the fastest crossing of the Attantic by a commercial ship. Today the revo-lutionary ferry, Hoverspeed Great Britain, sails from New York. Kevin Brown reports. Page 31

#### BET rises 19% to £322m

BET, the acquisitive UK services company, has been described as being in the "chore business," but daily drudgery appeares to have paid off. The group increased pre-tax profit by 19 per cent to £322.3m (\$548m) for the year to

# Treading familiar ground



Deutsche Unilever, the West German subsidiary west derman subsidiary of the Anglo-Dutch foods and soap powder con-glomerats, is looking forward to resuming its Up to the end of the Secand World War, Unliever ! had its German headowned a large marga-

rine factory near Wittenberg and ran a string of fish shops throughout the area. David Marsh talks to Jürgen Schrader (above), chief executive, about the company's plans to return to the East German

# Market Statistics

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Companies in this section

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22 National Semi 34 Nordstjernan 39 Orix 29 Polar Electronica Pru-Bache Reject Shop Renold Security Pacific
Security Tag Systems Severn Trent 28 Speyhawk 28 Standard Chartered 22 Syltone 30 Toshiba Glynwed Inti Groupe Victoire Hadleigh Industries 22 Volvo Car BV lewiett-Packard

24 Wallac 30 Wembley 24 Westpac Sanking

Chief price changes yesterday TOKYO (Yes) Logal & General Logica NatWest Bank Priest, Merians Sedgwick Sketchiey

# Volvo seeks Dutch share in car group

Ogilvy struggles

WPP medicine

Alice Rawsthorn looks at the success, and failure, of the Sorrell formula

to swallow

VOLVO. the Swedish automotive group, hopes to implement a takeover of Volvo Car BV, its associate company, by the end of

the year. Mr Pehr Gyllenhammar, the Mr Pehr Gyllenhammar, the Volvo chairman, has written to the Dutch Government setting out a timetable to complete negotiations for its majority share by the end of September.

Volvo holds only 30 per cent of Volvo Car BV, which is 70 per cent owned by the Dutch Government. The company manufactures all

It is now a year since Mr Martin Sorrell's WPP Group turned itself into the biggest single force in international mar-keting services by buying Ogilvy & Mather, one of the grand old US advertising agencies, for

US advertising agencies, for \$354m.

Oglivy was a deal that no one wanted Mr Sorrell to do. Oglivy's management was against it. Mr David Oglivy, the agency's founder, castigated Mr Sorrell as an "Odious Little Jerk" from his 12th century chateon outside Parls. The advertising industry was against it. Mr Charles Santchi, Mr Sorrell's old employer at Santchi & Santchi, even telephoned Oglivy to offer his hein. The City of London was against it. The stock market was already awash with WPP shares after its \$555m bid for J. Walter Thompson (JWT), another hig US agency. The market had also been shaken by Santchi's profit warning earlier that summer. The JWT deal had gone remarkably well. Its margins had risch from 4 to 10 per cent and a \$100m windfall from the sale of its Tokyo office had worked wonders for WPP's balance sheet. The City wanted Mr Sorrell to wait. Even history was against the deal Santchi and Interpublic, two of the four global marketing services groups, were almost destroyed by their attempts to

vices groups, were almost destroyed by their attempts to

create second international advertising agencies. WPP risked the same fate with Oglivy.

Mr Sorrell was undeterred.
Oglivy, he says, was "too good a chance to miss." He burdened his

the Volvo group's medium-sized 300 and 400 series cars and last year accounted for 138,200 of the Swedish group's total car output of 414,000.

The Dutch operation was created from the former UAF Carbusiness, in which Volvo acquired a 33 per cent stake at acquired a 33 per cent state at the end of 1972.

Volvo Car BV has had a chequered history in the face of severe financial pressures.

Initially, Volvo increased its share, rising to 75 per cent by 1975 and renamed the company

preference issue. A year later Mr David Ogilvy is ensconced as non-executive chairman of WPP. And the initials "OLJ" stand beside Mr Sorrell's telephone extension in its annual report.

The immediate challenge after the acquisition was to improve Ogilvy's financial performance to reduce the debt incurred in the acquisition. Mr Sorrell also had to raise morale, which had been badly damaged by the takeover.

The Sorrell management style is limited to finance. Advertising agencies, he says, are best run by advertising executives and should be left to their own devices. His approach had worked well at JWT, but that

should be left to their own devices. His approach had worked well at JWT, but that agency had been so mismanaged that it was easy to rationalise. Oglvy was more challenging in that it was relatively well run. He began by introducing WPP's financial systems which invoive setting highly-detailed, two-year rolling budgets. In practise, this means that Mr Graham Phillips, Oglivy's chief executive, once had a "general entertainment" budget, and now has budgets for particular areas like "dimar with clients." Mr Sorreli says the degree of detail encour-

says the degree of detail encour-ages "people to look at every dol-iar and cent."

cut by about 4 per cent, or \$30m, since the tabsover. The cuta have come from central areas, like the legal and accounts departments.

Ogilvy's costs have since been

Volvo Car BV. Mounting losses in the second half of the 1970s forced it to reduce its stake,

The Duich Government took a 70 per cent majority stake in 1981 as part of a rescue operation to refinance the company.

Government financial support for Volvo Car BV has amounted to F1800m (\$432m).

Volvo said yesterday that it wished to take full control of the Dutch associate in light of its proposed alliance with Renault of France.

Renault and Volvo plan to exchange significant minority stakes in their respective car and truck operations.

Volvo said that the aim of the planned takeover of the Dutch associate was to "achieve a joint business and product strategy supported by one organisation structure," while retaining the group's industrial bases in Sweden, the Netherlands and

Belgium.

Mr Roger Holtback, head of Volvo's car operations, said that

the Dutch branch to strengthen the company's presence in the medium-sized car segment of the European market.

Volvo Car BV is already closely linked with Renault, which supplies all the engines and transmissions for the Dutch-produced Volvo 400 and 500 series cars.

Volvo Car BV is still only a very small producer of medium-sized cars and is dangerously dependent on the

# it was important to co-ordinate WPP € per share 10

without cutting costs in any areas related to client service.

The critical question for Ogllvy is whether it will be expected to increase margins further. Any additional cuts could affect the stronger of its estables given that andmonal curs coun anert me standard of its service, given that the only other areas for potential improvement are Research Inter-national and the Sage sales pro-motion companies, two poorly-performing subsidiaries. Oglivy might then run the risk of losing

Martin Someli

Mr Sorrell maintains that he Mr Sorrell maintains that he wish he "perfectly content" with margins of 12 per cent. His critics in the City suspect problems could arise if other parts of the WFP Group started to suffer and he had to compensate by crunching cash out of Ogilvy to service its debts; or "if Ogilvy" lost momentum in terms of revenue. So far, there is no sign of this appening. Mr Neil Blackley, an analyst at James Capel, the London stockbroker, expects WPP's pre-tax profits to rise from £75m to £112m this year. Ogilvy is expected to show revenue growth of 10 per cent. Its ad agencies alone have already won more than \$300m in new business this year despite the sluggish US and UK advertising markets.

In operational terms, Ogilvy's executives are benefiting from the introduction of WPP's financial systems. One divisional head said he now receives information

said he now receives information "in days, rather than weeks."

The only ominous sign is that morale is still low. Ogilvy is a company with an exceptionally strong corporate culture. The senior executives of the New York agency play the baggines each Christmas in homage to Mr Ogilvy's Scottiah origins. Its offices are carpeted in red, the same colour as the foundar's same colour as the foundar's braces. Ogilvy's employees were proud of their independence and bitterly resented the takeover.

r Sorrell's "hands-off" style has belped to allay their resentment. Mr Phillips insists that he has not run the business any differently under WPP than if it had

But Ogilvy has suffered a series of senior staff departures. No one was surprised when Mr... Ken Roman, who had led the bat-tle against WPP, resigned as chief executive a few months after the takeover. But last month's resignations of Mr Peter Warren and Mr Hans Lange, both 1990

long-standing employees, as chairman and vice chairman of Europe, came as a shock to a company which prides itself on offering jobs for life.

Mr Sorrell's critics cite the resignations as evidence that a purely financial approach is not appropriate in a people business such as advertising. "You cannot run an agency by budgets, budgets, budgets, budgets, an analyst at BZW in London, who is about to publish a bearish circular on WPP.

The critics also suspect that

The critics also suspect that WPP debt could force Mr Sorrell to squeza Ogilvy. When WPP's annual report was published last week, the discovery of an 280m provision for unused office space at Ogilvy's New York headquarters fuelled their worst fears. WPP's shares suffered despite WPP's shares suffered, despite warnings from analysts that the market was over-reacting. Mr Sorrell is still bullish. He sees Ogilvy as a success both in terms of its improved financial performance and its contribution to the WPP Group. "A year on, one is even more impressed by the depth of Ogilvy's thinking," he says. "I would call Ogilvy the opportunity of a lifetime. But we said that about JWT."

# **BBV** to buy Lloyds operations in Portugal

AFTER 128 years in Portugal, Lloyds Bank of the UK is to sell Lloyds Bank of the UK is to sell its operations there to Spain's Banco Bilbao Vizcaya (BBV).

A letter of intent to that effect was signed yesterday morning by the two banks and negotiations are expected to be completed "within a few months," a Lloyds official in Lisbon said.

The price of the transaction

The price of the transaction was not disclosed, but bankers in Lisbon say the deal would give BBV a strong position in Portu-gal. "Lloyds has few branches

gal, "Lloyds has few branches but they are well placed...it is a very good move for RBV," one local banker said.

Lloyds is the longest-established foreign bank in Portugal. It has 12 branches in key areas around the country, including its headquarters in Lisbon, and had planned to expand its retail network to about 20 branches within the next three years.

within the next three years, Its expansion strategy had met some resistance from the authorities in Lisbon. However, the offi-cial said that was not the reason

for Lloyds' departure.

'The group wants to concentrate more on the UK market and

strengthen its capital base there," the official said.

In addition to servicing the large British community in Por-tugal, Lloyds also has estab-lished a strong base among high-net-worth corporate and In Portugal, it had total assets worth Es76.6bn (\$490m) at the end of 1989 and made profits of about Es300m.

about Es300m.

During the past three years, Lloyds has been cutting back on its international operations, including those in the US and Canada. Further retrendiment is likely, the official said, citing the impact of bad Third World debt. In London, Mr Brian Pitman, Lloyds' chief executive, said BBV had approached Lloyds about the sale. Lloyds accepted the offer, he said, because it would be able to serve its clients in Portugal through its correspondent hanks, while reinvesting proceeds from the sale in its core business. the sale in its core business.

Spanish banks have been

expanding rapidly in Portugal, raising fears about the domestic industry's ability to withstand the growing foreign competition.
Banesto, a leading Spanish
banking group, has become a
major shareholder in Banco Totta e Acores, which was partly privatised last year.

Earlier this year, Spain's Banco Santander took a major share in Banco de Comercio e

# Pargesa plans to sell 62% stake in UK merchant bank

By David Lascelles, Banking Editor, in London

the same fate with Ogllvy.

Mr Sorrell was undeterred.
Ogllvy's margins rose by 2 per cent to 10 per cent last year.
They are expected to increase to 12 per cent this year. Mr Phillips is confident that Ogllvy can meet that target. It will do so, he says,

THE PARGRSA group of companies is putting up for sale its collective 62 per cent holding in Henry Ansbacher, the London

merchant bank.

The decision marks a further divestment from the financial services market by the Belgian-based group which includes Pargess Holdings, Groupe Bruxelles Lambert and Banque Internationale à Luxembourg. It also presents would be buyens with a rare entervisities to have into the City. opportunity to buy into the City of London merchant banking

business.
Pargesa, which is controlled by Mr Albert Frère and Mr Gérard Eskenazi, said yesterday that the move to dispose of the stake resulted from a strategic review of its investments. Ansbacher, it stressed, "is today a strongly cap-italised, profitable, well-managed organisation with capital and cash resources well in excess of its current and reasonably anticipated requirements." Pargesa first took a 30 per cent stake in 1984 when Ansbacher was going through a major phase of expan-sion, but it was forced to ball the merchant bank out of large losses in the years that followed, at a total cost of more than 2100m.

(\$170m). Since then, Ansbacher has mounted a steady recovery by divesting itself of unprofitable activities and building up its banking business.

Its main operations now are merchant banking and offshore trust banking. It made £10.1m before tax in 1989, up from £7,2m. Net assets at the end of the year Mr Richard Fenhalls, the chief

executive of Ansbacher, said yes-terday that Pargess had been "enormously supportive." He has agreed to stay on after the sale. Under the Takeover Code, a buyer would have to make a bid

for all shares in Ansbacher. Shares were unchanged at 78p on the news yesterday, placing the bank's value at £145m. This implies a value of £90m for the Pargesa stake, which is below the cost of its investment.

Pargesa has already sold its remaining interest in Paribas (Suisse) and other stakes held by Parfinance, its French subsidiary. Groupe Bruxelles Lambert's decision to sell its stake was seen. by analysis yesterday as further evidence of a change in the strat-egy of the Belgian holding com-pany, writes Lacy Kellaway in Brussels.

Following the collapse of Drezel Burnham Lumbert in Feb-ruary, in which GBL and Pargesa jointly lost some \$300m, Groupe Brussels Lambert appears to have abandoned its ambition to build an international fusical group made up of majority hold-ings in merchant banks.

# Sir John Egan will join BAA

SIR JOHN EGAN, the chairman of Jaguar, the UK luxury car manufacturer recently sold to Ford, is to become the chief executive of RAA, formerly the British Airports Authority.

The move which came as a specific was shown emerciations.

The move, which came as a surprise to both the City of London and senior executives at BAA, fuelled speculation that Sir John may replace Sir Norman Payne, chairman of BAA. Sir Norman, who has been with BAA since 1965, shepherded the com-pany through privatisation in 1987. His contract is due to expire

The announcement was made in London yesterday at the same time that it emerged that BAA was bidding to redevelop and run Toronto airport in the company's first such move abroad. BAA is first such move abroad. BAA is the of handling 8m passengers, also hidding to run Budapest air.

However, in the about term, ana-

result was above expectations.

Analysts said the results were sparkling but were concerned the gains would antagonise airport users in the build-up to a statutory quinquennial review into the company's operations by the UK's Monopolies and Mergers

They warned, however, that the cost of the company's capital expenditure programme would slow profits' growth for the coming two years. Next year BAA plans to open a new terminal at Stansted, north of London, capa-

lysts believe that the downturn in the UK air charter market may reduce the number of companies wanting to operate out of the new facilities.

In a separate development, five groups, one of which includes BAA, have expressed interest in an C\$800m (\$690m) project to redevelop and manage the two existing berminals at Toronto's Pearson International Airport. The Canadian Government, which presently owns and oper-ates the airport, has yet to call for formal bids for the terminals.

But an earlier decision to allow private sector development of a third terminal, due to open later this year, has sparked a heated competition to take over other facilities at the airport, which is Details, Page 28; Lex, Page 28

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# VIEWPOINT

The Commerzbank report on German business and finance

# A sober look at West Germany's public-sector deficit

The sharp rise in German bond yields reflects concerns that German unity will mean not only higher inflation but also a larger budget deficit. Are concerns about the latter justified? In order to answer this question, we must analyse a number of interrelated factors. Some can be influenced by political decisions; others are hard to judge at present.

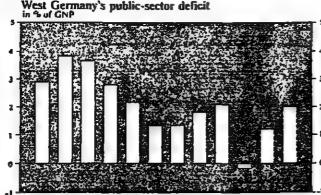
The first factor involves the rate of economic growth and price trends, which determine the level of tax receipts. Here the situation in 1991 should be favourable. While the public-sector deficit – including that of the social security system – will rise this year by some DM 25 to 30 billion, mainly due to the recent tax reform, it would have declined sharply next year the situation in 1991 should have declined sharply next year if no extra spending had been needed for East Germany. Tax revenues will increase again substantially because there will be no more impact from the tax cuts and the economy will continue to expand strongly. In fact, the added input of the East Germaneconomyshould cause nominal GNP to rise by an extra 11/2 to 2 percentage points.

Assessing the costs

The cost to West Germany of merging East Germany's economy with its own is the second key issue. Any estimates here would be purely conjectural, as it is hard to predict how East Germany will fare after economic and monetary

union. Moreover, a number of total of about DM 20 billion important political decisions have yet to be taken in Bonn and East Berlin. However, it is clear that costs will be incurred through the introduction of the monetary union itself, the creation of a social security system along West German lines,

structure should be modernised and its economy made more "environmentally friendimprovements to the country's ly" is a matter for the politi-



infrastructure and environmental measures - and, perhars, temporary financial aid to East German firms to ease the process of adjustment.

The financial burden will probably be heaviest during the second half of 1990 and in 1991. As regards social security, the bulk of outlays will be needed to raise old-age pensions from their current low levels and also to shore up the unemployment insurance scheme, Although the precise amount required here will depend on the level of unemployment, a

cians to decide. But the scale on which private investors are attracted will be determined in large part by the pace of such modernisation efforts. initially, annual outlays in this area could amount to DM 10

should be needed for social

security in general, some of

Germans' contributions. How

quickly the country's infra-

which can be financed by East

A closely related point is the extent to which East Germany itself can shoulder the burden of restructuring its economy. Its most important contribution will certainly be to create the legal and other prerequisites for large-scale private investment and make it possible to tap the country's entrepreneurial potential Infinancial terms, it will initially contribute bittle, as its tax and social insurance systems, including their administrative procedures, must be completely overhauled. In 1991, East Germany may have a budget deficit of between DM 40 and 60 billion, depending on the scale of West German assistance,

Finally, West German decisions on spending and revenues must also be taken into account. The Government has repeatedly stated that tax increases are neither necessary nor planned; as indicated above, stronger economic growth should boost revenues, and outlays of some DM 30 billion per year, which are a direct consequence of the division of Germany, could be eliminated in the medium term. Moreover, spending could be cut in other

All in all, the general budget deficit should rise to 1.3% of GNP this year and to about 2% in 1991 - hardly a high figure either by international standards or for West Germany itself, particularly in view of its substantial savings ratio, It would most certainly not warrant bond-market yields of 9%.

## COMMERZBANK SE German knowhow in global finance

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# To the holders of all outstanding bonds, notes and warrants issued by State Bank of New South Wales Limited

Pursuant to the State Bank (Corporatisation) Act 1989 (the "Act") of the State of New South Wales ("State Bank"), on 14th May, 1990 the whole of the business undertaking of State Bank of New South Wales and all its assets, rights, liabilities and obligations were, as a matter of New South Wales law, transferred to a new stateowned corporation, State Bank of New South Wales Limited ("State Bank Limited"), constituted by the Act as a bank and as an agency through which, inter alia, the State of New South Wales will engage in state banking.

All the assets, rights, liabilities and obligations of State Bank, including its rights, liabilities and obligations under outstanding bonds, notes and warrants issued by it, have been succeeded to by State Bank Limited. All obligations of State Bank which were guaranteed by the Government of New South Wales continue to be so guaranteed as obligations of State Bank Limited pursuant to the Act and the State Owned Corporations Act 1989.

The outstanding bonds, notes and warrants will not be stamped or exchanged and will continue to be listed on the stock exchange on which they are currently respectively listed.

# State Bank NSW

MEMBER OF TSA

SKANDINAVISKA ENSKILDA BANKEN US\$ 280,000,000

SUBORDINATED FLOATING RATE

NOTES DUE 2000 Notice is hereby given that, in accordance with the provisions of the above mentioned Floating Rate Notes, the rate of interest for the six months period from June 15, 1990 to December 17,

The interest payable on December 17, 1990 against surrender of coupon no. 1 will be US \$ 223.22 on each Note of US \$ 5,000.

BANQUE INTERNATIONALE A LUXEMBOURG

Société Anonyme

1990 has been fixed at 8.6875% per annum.

AGENT BANK

EUROPEAN AMERICAN BANCORP Incorporated in the State of New York U.S.A.)

US\$75,000,000 . Guaranteed Floating Rate Notes Due 1993

In accordance with the terms and conditions of the Notes, notice is hereby given that for the six mouth interest period from (and including) 19th June, 1990 to (but accluding) 19th December, 1990, the Notes will carry a rate of interest of 8% per cent. per annum. The relevant interest Psyment Dute will be 19th December, 1990. The coupon amount per USS\$1,000 Note will be US\$217.63 payable sgainst surrender of Coupon payable against surrender of Coups No: 13

Hambros Bank Limited Agent Bank

#### VESTLANDSBANKEN US\$5,000,000 Subordinated Floating Rate Notes Due 1992

For the six months, 19 June 1990 to 19 December 1990 the interest rate has been fixed at 8-5625% per annum. Interest payable on 19 December 1990 will be US\$21,763-02 per note of USSS00.000 denomination

> Christiania Bank Agent Sunk

Compagnie Bancaire

000,000,0002 Floating rate notes due 1995. **Initial Tranche** \$200,000,000

For the interest period 15 June 1990 to 17 Septem interest at 14 Yis% per ani interest payable on 17 September 1990 per \$100,000 note will amount to \$3,846.92

Agent: Morgan Guaranty Trust Company

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ECU85,000,000 Skopbank

Floating Rata Nates due 1992 Notice is hereby given that in respect of the Interest Period from June 19, 1990 to September 19, 1990 the Notes will carry an Interest Pate of 9,8675% per annum. The coupon amount payable on September 19, 1990 will be ECU25,218.94 per ECU1,000,000 Note.

By: The Chases Mandadan Bank, M.A.
Lundon, Fiscal Agent kme 19, 1990 CHAR

# INTERNATIONAL COMPANIES AND FINANCE

# Forced into flight plan of merger

Caribbean carriers may join forces to survive, writes Canute James



A BWIA TriStar at Trinidad and Tobago airport

sumer resistance to higher He pointed to the merger of Air France and UTA; collaboration between Scandinavian Airlines System and Swissair and between Air France and Lufthansa; British Airways' interest in United Airlines; share swaps between Delta and Singapore Airlines; and the impending merger of LAV and Viasa of Venezuela to create a

"While the larger airlines of the world get together," Mr Hudson-Phillips contended, "we in the Caribbean are still merger have unenviable man-cial histories. For BWIA, Air Jamaica, Leeward Islands Air

Caricargo, a cargo carrier owned by the Governments of Trinidad and Tobago and Bar-

mon factor has been accumu-

lating losses. BWIA, the region's oldest in 1987, according to the latest available figures. With a fleet of Lockheed TriStars and DC9s. the company flies routes within the Caribbean, and links the region with North America and western Europe. Air Jamaica, established 21

years ago, which operates a fleet of four Airbus A300s and four Boeing 727s, recorded a \$19m loss last year, bringing accumulated losses to \$38m. The financial problems could worsen unless the company is successful in obtaining relief from outstanding fines of \$38m levied by US Customs after narcotics were found on flights arriving in the US from

LIAT, which is owned by the Governments of the Caribbean Economic Community, island-hops in the eastern Caribbean with a fleet of British Aero-space 748s and De Havilland Dash 8s. The airline is carrying accumulated losses of \$11m and its operating deficits have had to be met by increasingly

exasperated Governments.

bados, is saddled with debts of \$39m. A merger with other airlines would spare the owners from a harsh decision. Trini-

dad and Tobago wants to pull

out, while Barbados has said it

cannot continue subsidies. Guyana Airways, while recording a small profit in local dollar terms last year, is in the red in foreign exchange terms" according to company officials. The company has had difficulty running an international service using only one aircraft, a 24-year-old Eocing

the need for the region's Governments to reduce their involvement in the airline industry, said Mr James Mitchell, the Prime Minister of St Vincent, will become more

apparent after 1992.

The creation of a single European market and the deregulation of European air travel to the Caribbean, he said, will bring increased competition from airlines. These will be more efficient than those now run by the region's Govern-

"Consider what this would mean," said Mr Hudson-Phillips of the proposed merger. "No other region in the world has the basket of route rights we do in the Carib

bean.
"We have BWIA to Louding Tradels." Stockholm, Frankfurt, Zurich Miam:, New York and Toronto. We have Air Jamaica to Log Angeles, San Francisco, Atlanta and New York, 1237 has rights to My to Morth America, and Guyana Airanya to Pao de Janeiro, Brasilia and

Buenes Aires. if the region's Governments zgree on a merget, they may have to start without Air Jamaica until the airtine has completed a restructuring

begun two months ago. Mr Robert Pickersgill, Jamaica's utilities and trans-port minister, said. We are not giving active consideration now to being part of a single regional airline. I have already indicated to my colleagues from other countries that Am Jamaica is now seeking an agreement with a fereign partner to hold some equity in the

company. We could derive some benehis from shared services and technical co-operation with other airlines in the region, but the Covernment's policy at the moment does not include any participation by Air Jamaics in the proposed merger."

This is not likely to stop the other companies from moving to create a unified carrier

Mr Mitchell has concluded that none of the Caribbean Community Governments has the money to write off the debts of LIAT. It is expected that the Governments which own the airline will support a merger with BWIA - which Mr Hudson-Phillips sees as the first step in establishing the new carrier. The next step would be to bring in Guyana Airways, he suggested, and then Air Jamaica and Caricargo, "When this is done," he said, "we could approach the international market for foreign investment."

# Pru-Bache to sell retail division

PRUDENTIAL-Bache has disclosed. According to local estimates, Pru-Bache suffered a ties firm this year to retreat from the retail business in Canada with an agreement to sell its retail division to Burns Fry, the Canadian affiliate of California's Security Pacific Corporation, writes Bernard Simon in Toronto.

The deal involves most of

fervently guarding our sepa-rate tiny air solitudes."

The five airlines which are being considered for the

Transport (LIAT), Guyana Airways and Caricargo, one com-

merger are eager to remove the

companies from the pressured

national budgets.
But while some appear more

enthusiastic than others, they have all concluded that

co-operation is needed to cut

their losses and to fight

increasing competition from more efficient carriers.

Mr Karl Hudson-Phillips, chairman of BWIA of Trinidad

and Tobago, and one of the more fervent advocates of the

merger, said many of the world's major airlines were

being driven to join forces by

higher operating costs and con-

Pru-Bache's 700 staff in Can-ada, and will double Burns Pry's retail sales team to 500. Up to 190 of Pru-Bache's employees will be laid off.

loss of C\$26m (US\$22m) in Can-ada in 1988 on revenues of C\$88.7m. Assets totalled Mr George McGough, Pru-Bache Canada's chief execu-

tive, said the company would continue its cross-border investment banking activities.

The fragile mood of individ-ual investors has encouraged a substantial restructuring of the Canadian retail accurities business in recent months. Merrill retail operations to Wood Gundy, while two mediumsized retail-oriented firms, Walwyn and Midland Capital. agreed to merge operations. Security Pacific is in the pro cess of raising its interest in Burns Fry from 30 per cent to 49 per cent. Burns has substan-

which brought it into a group that also includes Britain's

Burns Fry earned C\$13.2m last year on revenues of

unchanged under the leader-

tially expanded since the Sec-Pac investment two years ago,

# Terms of the deal were not Lynch has sold its Canadian Victoire and Laurentian in deal

GROUPE Victoire, Europe's eral, for several months. The fifth largest insurance group and a subsidiary of Compagnie highly competitive as other Financière de Sues, is buying a 50 per cent interest in the Lau-rentian Group's property and casualty unit based in Mon-treal for C\$125m (US\$106.9m), writes Robert Gibbens in Mon-treal

treal.

European companies such as Axa have moved in aggres-

Are have moved in aggressively.
Victoire, with assets of C335hn, and Laurentian Group will each own 50 per cent of the new holding company, which in turn will own most of Laurentian General, valued at C3250m. Management of Laurentian General will remain

Laurentian Group has been seeking a partner to help expand its general insurance subsidiary, Laurentian Gen-

ship of Mr Jean Bouchard. Victoire now holds 20 per cent of Laurentian Group, and has helped it become Canada's

fourth largest integrated finan-cial services with assets of

C\$16bn and with subsidiaries in the US and UK. Laurentian General has assets of C\$657m and 1989
annual growth premium | S25m or 34 cents a share, compared with \$23.2m or 32 cents.

# One-off sales put National Semi in black

By Louise Kehoe in San Francisco

NATIONAL Semiconductor. struggling to regain profitability, ended its fiscal year with a small net fourth-quarter profit boosted by special credits, our recorded increased losses for the year as a whole,

The semiconductor chip manufacturer reported net earnings of \$4.7m or 2 cents a share for the quarter ended May 27, compared with earnings of \$77.1m or 73 cents an the same period last year.
The latest figures included

one-time credits of \$8.8m. including \$4m from the sale of a facility in Singapore. The previous year's carnings included a one-time gain of \$174.9m from the sale of a mainframe computer subsidiary to Hitachi Data Systems. Sales from continuing operations for the latest quarter were a record \$456.3m, up from \$419.1m.

pared with \$23.2m or 32 cents.

# Hewlett and Apollo move to merge workstation line

By Louise Kehoe in San Francisco

HEWLETT-PACKARD yesterday moved to merge its computer workstation product line with that of Apollo Com-puter, the company it acquired in May 1988, in a bid to claim leadership in the \$5.8bn computer workstation market.

puter workstation market.

The new product range, called the H-P Apollo 9000 series 400, is compatible with previous products from both H-P and Apollo, its success is seen as a critical test of H-P's ability to capitalise on the \$500m Apollo acquisition to boost its role in one of the fastest growing segments of the computer market.

"During the year since the H-P/Apollo merger, we have combined and leveraged the technological capabilities of both companies to complete

both companies to complete

the first phase of our merger product strategy," said Mr Bill Kay, general manager of H-P's Workstation Group.

According to market analysts, however, H-P has lost ground in the workstation market over the past year. While the combined market shares of H-P and Apollo were about 30 per cent in 1938, they now stand below 25 per cent, according to International Data Corporation, a market analysis COmpany.

The new H-P workstations range in performance from 12m to 28m instructions per second, placing them in direct competi-tion with Sun Microsystems and Digital Equipment prod-ucts. H-P has aggressively priced its new low-end work-station at under \$5,000.

**GRUPPO IRI** 



Shareholders of the Company are notified of a second call to the Extraordinary and Ordinary General Meeting to be held at

10 a.m. THURSDAY, JUNE 28, 1990

At the Sala Congressi of Via Bertola 34, Turin

LVMH MOET HENNESSY . LOUIS VUITTON

# LYMH DIVIDEND UP 41 %

The Annual Meeting of Shareholders of LVMH Moet Hennessy Louis Vuitton held in Paris today approved the group's financial statements for the year ended December 31, 1989. Net income for the year totalled FF 2,932 million, up 46 % over the 1988 level.

Shareholders approved a 1989 dividend of FF 62 per share, net of "Avoir Fiscal" tax credit of FF 31 per share; the 1989 dividend represents a 41 % increase over the prior year level. An interim dividend of FF 15 per share net was paid out on November 30, 1989; the balance —i.e. FF 47 — will be paid on June 14, 1990.

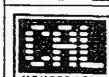
June 6, 1990



Heron International Finance B.V. ECU 40,000,000 GUARANTEED FLOATING RATE NOTES 1984-1991

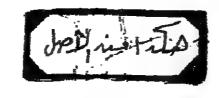
for the six months 18 June 1990 to 18 December 1990 cach note will carry an interest rate of 10% % per session and a coupon amounting to ECU 549.64

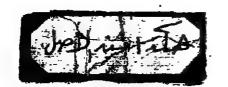
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# # Countries Named

# INTERNATIONAL COMPANIES AND FINANCE

# Framatome calls on CGE to withdraw

By William Dawkins in Paris

FRAMATOME, France's muclear plant builder, yesterday intensified its fight against the bid for control by Compagnie Générale d'Electricité (CCF), the telecommunication (CGE), the telecommunications and engineering giant.

Senior Framatome executives called on CGE to withdraw tapidly from the com-pany in which it took a 52 per cent stake last week, the cli-max of an unusual power struggle over a partly state-

owned company.

The strategy of Mr Pierre Suard, CGE's chairman, was at odds with Framatome's interests and CGE's arrival as the largest shareholder was beginning to jeopardise negotiations for international contracts, the

executives said.
"We are in a total deadlock... we don't want a share-holder who does not have the company's interests in mind," said Mr Marcel Chabrillac, vice president for nuclear operations. And Mr Bernard Jals, social affairs director, said: "We are not dogmatic. We just have a feeling that today they should exit."

The outburst came as a for-merly divided Government continued to seek a compro-mise in which the state would regain control. Some commen-tators see the Paris Adminis-tration's problems in making up its mind about Mr Suard's challenge as a sign of lack of clarity in French industrial policy. However, senior offi-cials argue that the Government has always felt that such a strategically sensitive com-pany should stay under public

control.
Until CGE increased its stake from its old level of 40 per cent, state-owned bodies held the power at Framatome, with a combined 45 per cent. That balance had existed since 1985, when CGE — then state-owned — first became a Framatometer.

matume shareholder.
Crédit Lyonnais, the state-owned bank, is looking for industrial investors to buy CGE's stake, and has been in contact with Mr Suard for several days, although CGE officials say they have not received a firm offer.

# Bouygues to buy Pharmacia 85% of Losinger its Finnish

By William Duliforce in Geneva:

BOUYGUES, Europe's biggest contracting group, is buying 85 per cent of Losinger, Switzerland's second biggest construction second biggest constructions. struction company, for an implisciosed sum.

The purchase, which is subject to the approval of the Swiss authorities, appears to form part of the strategy amounced by Mr Martin Bouy gues last month to reinforce the French conglomerate's positions in Europe, although at the time he singled out the UK and West Germany as targets.

Losinger reported gross revenues of SFr755m (\$524m) in 1989, up from SFr658m in the previous year, and posted a net profit of SFr6.1m. Roughly 40 per cent of the revenue was generated outside Switzerland. A family owned concern, Berne-based Losinger was res-cued in 1983, after the downturn in European contracting business had forced it into the red, by Enserch Corporation of Dallas, Texas, and Union Bank

boosted to 35 per cent by tak-ing over the remainder of the

Losinger family interests.

Losinger returned to the
black in 1987. It specialises in tunnelling and pre-stressed concrete constructions, has developed an interesting US operation and has secured some important orders over the last two years, notably a sub-contract for the Great Belt bridge project in

At the end of March Losinger's order book totalled SFr815m. Bouygues said it intended to promote both its international and Swiss operations and would transfer technology, to enable it to win markets.

The Swiss company's bal-ance sheet shows registered and bearer share capital of SFr40m, a SFr20m subordinated loan from Enserch and some SFr30m in participation certificates.

# Swedish group may bid for Speyhawk

NORDSTJERNAN, the listed Swedish real estate and con-struction group which owns 5 per cent of Speyhawk, is in talks with the British commer-

taks with the British commercial property company which may lead to a bid.

Yesterday's 26-word amouncement from Speyhawk confirmed that "preliminary discussions" were in progress and prompted a 40 per cent leap in the group's share price in London, from 129p to 195p. At that price Speyhawk is worth nearly £51m (\$27m).

The British company refused to add to the statement, which

to add to the statement, which did not name Nordstjernan as the possible bidder.

However, it is understood that the two companies have been in contact for some time. been in contact for some time. This is the second time in three months that a Swedish company has sought closer links with a British property group. In April, SPP, Scandina-

via's largest insurance group, made a £500m bid for London & Edinburgh Trust. The offer-was recommended by the Beck-with brothers, who founded LET and owned 20.5 per cent of the company, and represented a 20 per cent discount to LET's net asset value. Nordstjernan will have to

north ternan will have to persuade Speyhawk's ebuilient chairman, Mr Trevor Osborne, to give up the 22 per cent stake he and his family trusts own.

As recently as February, Speyhawk's shares were tradition of the second Spernawk's snares were trad-ing at 355p, but the general depression hanging over the UK property market has since pushed the price down as low-as 106p, to Mr Osborne's initia-tion. That compares with net assets estimated at more than 530n a share 530p a share.

At the end of last month, Speyhawk announced a 40 per cent drop in interim profits, although turnover was up.

# plans to sell subsidiary

By John Burton. in Stockholm .

PHARMACIA, the Swedish PHARMACIA, the Sweensm pharmaceutical group, yesterday announced that it planned to sell Wallac, its Finnish diagnostics subsidiary. It has retained N. M. Rothschild & Sons to auction the company for at least \$150m.

In preparation for the sale,

In preparation for the sale, Pharmacia said it would restructure Wallac in an effort to increase its profitability. The disposal is part of Pharmacia's strategy of streamlining its diagnostics division.

The division's return on capital was less than 10 per cent in 1989, which the company said was "unsatisfactory," although its sales increased by 36 per cent to SKr1.6hn (\$281m). Pharmacia suffered a 22 per cent fall in profits after financial items to SKr762m on sales of SKr7.5hn last year. Wallac, hased in Turku, has a workforce of 500, and is a market leader in analytical isotope measuring instruments.

measuring instruments.

Pharmacia said yesterday that the restructure would divide Wallac into three profit-centre units.

### Profits down at Metsä-Serla

METSA-Seria, one of Finland's METSA-Serla, one of Finland's largest forest groups, reported a sharp fall in profits after from fall in profits after from fall in profits after from fall in the fall in from falsom in the same period of 1989. Operating profit fall to fall in from falsom, writes knrique Tessieri.

Investments' rose to which fall shows spent in acquiring a 30 per cent stake in United Paper Mills, the country's fourth

Mills, the country's fourth largest forest group, which will be merged with Rauma-Repola, an engineering and forest group, to form Repola. Finland's largest industrial

group. Separately, Ranna-Repola announced a sharp drop in profits before appropriations and takes suring the first four months of this year to FM40m from FM282m a year suffer.

# An opportunity from unification

Unilever's W German arm is stretching east, writes David Marsh

eutsche Unilever, the West German subsid-iary of the Anglo-Dutch food and soap powder conglom-erate, is gearing up for an assault on the rapidly opening East German market. However, it will be a gradual campaign calling for carefully-considered tactics rather than any head-

long rush.
The company is already Germany's largest food group, with turnover of DMS.6bn (\$5bn) last year, of which 70 per cent was in foods, 12 per cent in detergents and cos ics, 10 per cent in packing materials and 8 per cent in

According to Mr Jürgen Schrader, Deutsche Unilever's 56-year-old Hamburg-born chief executive, the addition of 18m East German consumers adds up to "a very welcome chance for growth in our markets." He sees particular chances in sees particular chances in areas such as fats and detergents which are showing signs of saturation in the Federal Republic. Unilever - like the rest of

West German industry cautious over the short-term prospects. Mr Schrader expects "two difficult years" in East Germany after economic and monetary union on July 2. But, longer term, Mr Schrader sees unification increasing Unilever's German business by

25 per cent.
Deutsche Unilever owns
more than 30 factories in West Germany, and has a long his-tory of involvement in East Germany. Until the end of World War Two, Unilever maintained its German head-quarters in Berlin, owned a large margarine factory in Pra-tau near Wittenberg and also ran a string of fish shops throughout the area, belonging to its Nordsee subsidiary.

Mr Schrader is doubtful nuts," says Mr Schrader. Most imported into East Germany in whether Deutsche Unilever will want to move its head office back to Berlin from its current site in Hamburg. But his company has been in touch with the Magdeburg Kombinat (state-owned company), which now runs the Pratau marga-

rine factory, about a possible joint production or licensing Lodging legal claims to recover pre-1945 assets in East Germany is clearly not one of Mr Schrad-But he says that the com-

pany's experts have discovered that the Praiau factory is still owned by Uni-lever in the official East Ger-many property registry. Despite a wave

says — never bothered to alter the ownership records. Deutsche Unilever was given

Deutsche Unilever was given the go-ahead by its parent com-pany at the beginning of the year to take responsibility for expanding its business in East Germany. It has been gradu-ally building up contacts and outlets around the country, and has also been assembling a and has also been asse sales force and accounts team

In previous years, Unilever sold an annual DM10m worth of products to East Germany through the hard currency Intershop network - "peaof these goods were sold through the parent company's international trading depart-

Now, Unilever wants above all to accompany the West Ger-man food retailing chains such as Tengelmann, Rewe and Spar which will be setting up in Bast Germany in the second half of the year. In the first six

months of 1990, Deutsche Unilever reckons to have increased man turnover to DM60m, with the proceeds placed in East German Mark Pricing and become simpler

legal tender on July 2. But doubts about the ease of of state appropriations, the East German products to the East authorities - to Unilever's German market make Mr "great surprise," Mr Schrader Schrader circumspect about

Schrader circumspect about his turnover forecast for the whole year. It will probably be between DM120m and DM160m, he believes. The East and West German Agriculture Ministers recently announced a series of quotas for entry of agricultural prod-ucts as part of efforts to pro-tect the East German economy

D-Mark

brought in as

from more efficient producers in the West. Mr Schrader believes his West German plants are about three times more productive than equivalent East German factories. Only 3,000 tonnes of West

German margarine can be

the third quarter, for instance - a very small proportion of the total East German market

of 180,000 tonnes a year. Mr Schrader confesses that imposition of these import bar-riers has sharpened Unilever's thinking about trying to escape them via manufacturing agreements in East Germany. "We would be treating the question of production in a much more dilatory way but for the quo-

It is exploring licensed pro

duction or joint ventures with

the Magdeburg margarine company, an unnamed Kombinat in detergents and several ice cream-making enterprises. Uni-lever has started making advertising bookings on East German TV, which is soon to be liberalised, although the amount being spent is still very small at less than DM1m. Before Unilever makes any large scale investment deci-sions in East Germany, Mr Schrader lists a number of business impediments which will have to be changed. Large question marks still beset the

cloudy areas of property own-ership, labour contracts and responsibility for polluted Mr Schrader says his main task is to "get products on to the shelves" in East Germany, but Unilever is not interested in making "sacrifices in the German interest."

German interest."
In a tub-thumping speech
last Tuesday, Mr Helmut
Haussmann, the Economics
Minister, assailed "the small
minded doubters" and the
"book-keepers" in West German companies who were holding back investment in East ing back investment in East Germany. Mr Schrader smiles and says: "I think this sort of small-mindedness is quite sen-sible."

#### INTERNATIONAL COMPANY NEWS IN BRIEF

NOBEL Industries, the Swedish armaments and chemicals group, reported a dramatic surge in profits for the first four months of 1990, thanks to substantial asset discount to the profits of the substantial asset discount to the substantial asset

posals, writes Robert Taylor in Stockholm. After financial items, profits increased by nearly 200 per cent to SKr600m (\$96m). Turnover for the period dropped by 7 per cent to

SKr7.2bn compared with the same four months of 1989.

m Kansallis-Osake-Pankki (KOP), one of Finland's two largest commercial banks, said profits before appropriations and taxes for the first four months of this year rose 24 per cent to FM224.5m (\$56.5m) from FM181.3m a year earlier, writes Enrique Tessieri in Helsinki. The result was held back by a and higher credit losses.

Norway's Skaugen Shipping Group is to be demerged into two holding companies; AS Eikland, which will take control of the group's publicly-quoted companies, and Salamis AS, which will control the group's private companies plus Jahre Line, a ferry line which

Compagnie Hongroise Financiere (Cohfin), the Hungarian arm of Mr Carlo De Benedetti's Cerus, has joined up with Table de France to purchase a 60 per cent stake in the porce-lain tableware unit of Groupe Alfold, Hungary's leading ceramics company, AP-DJ

May, 1990

The contract of the second sec



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U.S. \$ 105,000,000

SUGAR IMPORT FINANCE FACILITY

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The state of the s

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# INTERNATIONAL COMPANIES AND FINANCE

# Head start for Japanese brewery's image

Robert Thomson looks at Kirin's expansion plans on the day it gets its London listing

BEER in hand, a young Japanese woman stares down from a Tokyo subway billboard and demands "interesting conversation and a good beer," while her man, fashionably unshaven, is a mere blur in the black-and-white background.

The campaign by Kirin Brewery – shares in which are to be listed today in London is hardly typical in Japan, where the routines of tea-making and desk dusting are still "women's work," and yet the billboard typifies the changes in, at least, the margins of the beer market.

Kirin, which had a conservative reputation and a comfortable 60 per cent beer market share in 1986, has been forced to reform by changing tastes in a market long presumed to be brand-loyal. The company's share fell to 49 per cent last year, prompting a rush of new product releases and a series of

three-year plans. The London listing and a Paris quotation on June 29 are intended to help internationalise the image of a company which dominates beer sales in provincial Japan and has thus been considered somewhat provincial. The listings are also a sign that the ambitions of Jap-

anese brewers flow well beyond the national boundary. Mr Hideyo Motoyama, president of Kirin, and a member of the inner circle at the Mitsubishi keiretsu, or family of com-panies, said that, despite being the world's fourth largest brewer, the company is still lit-

tle known abroad. "One reason for listing in London is that we will become better known. We want European investors to know more about us," said Mr Motoyama, aged 64, president for the past six years, and previously head of planning and sales depart-

Convinced of the virtues of Japanese beer, Mr Motoyama would like Kirin to become more than a novelty item in foreign bars, and he concedes with a smile that the turbulence in the international beer market could present opportunities for mergers or acquisitions. If negotiations are taking

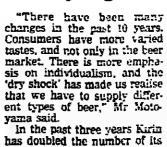
place with foreign brewers, he said, they are being handled lower down in the chain of command, though no deals will be done "unless we have a clear vision that we can suc-ceed with the management." Kirin sells and produces Helneken beer in Japan under



Hideyo Motoyama: 'more emphasis on individualism'

licence, and Kirin beer is produced under licence in Hong Kong by San Miguel and in Canada for US sale by Molson Breweries. Foreign sales, including soft drinks, account for about 1.9 per cent of sales. Japan's beer market was

shaken four years ago by Asahi Breweries' "dry beer," a longer fermented, higher alcohol brew which pushed that company's sales up by 47 per cent and forced other manufacturers to devise new recipes and less complacent ways of marketing them,



sales staff, while four new brands have been released in the latest year. Market share appears to have risen above 50 per cent again this year, and Mr Motoyama is taken by the potential of lehibanshibori, a mild lager for which "we can't meet domestic demand."

For image reasons, the company is keen to appeal to younger women, who are perceived to be trend-setters in the bigger cities, although, as Kirin officials emphasise. "in terms of volume, they don't drink a large amount." For equally trend-conscious reasons, the company has just sponsored a tour by the singer Marianne Faithfull and has generally become more artistically inclined.

Mr Motoyama suggests that the markets with the most growth potential are in Asia, particularly south-east Asia haif of all Asians appear to have trouble handling alcohol because they don't seem to

have the necessary entymes." Kinn's beer sales last year fell 5 per cent to Y1.074.95n (56.975n), while soft drink sales rose by 27.8 per cent to Y108.7bn and food products by 1.7 per cent to Y10.5bn. The

figures have encouraged the

company to broaden the bever-

age base. two new brands of canned coffee drinks under the Old Beans brand were released last year and the company is now pushing Post Water, described as a "nealthy, sedium free, low-calorie drink with components similar to those of water."

though not as cheap. The first of the four three year plans began in 1988 partly inspired by the "dry shock," and has the themes of "concentrating on the basics" and "independence and growth of each division." Apart from food and drink, the company intends to expand its biotech-nology and engineering activities, and increase its involve-ment in the health studio, property and restaurant hosi-

# Orix buys contract rights | Standard Chartered sells to 74 aircraft at auction

By Stefan Wagstyl in Tokyo

ORIX, the fast-growing Japanese financial group, is buying contract rights to acquire up to 74 A320 aircraft from Airbus Industrie, the

European aeroplane maker. Orix said the transaction was "a giant step" towards becoming the first Japanese company to make a substantial move into the operating lease business for aircraft.

Running operating leases, where the financial company is responsible for the management of an aircraft as well as financing it, is both more risky and more profitable than simply lending to airlines.

Orix is buying the rights from Braniff, the US sirline which has gone bankrupt, after

making the top bid at an auction organised under US bank-ruptcy law.

The agreement covers rights

The agreement covers rights to 24 firmly-ordered aircraft, and options for another 50, all for delivery over nine years starting in 1991. If all the options are exercised, the total

cost would be more than \$3bn. Orix, like many large Japa-nese financial companies, is already active in the market for supplying lease funds to airlines to buy aircraft. Japa-nese banks are also the world's largest suppliers of funds to aircraft leasing companies. Orix is one of Japan's largest

non-bank financial companies, with consolidated total assets

# Australian finance unit

By Bruce Jacques in Sydney

STANDARD Chartered of the UK has continued to scale down its Australian operations, with its Standard Chartered Bank Australia off-shoot shedding its finance subsidiary for a reported A\$58m (\$45m).

The bank announced yester-day it had agreed to sell Stan-dard Chartered Finance to Australian Guarantee Corporation, Australia's biggest finance company and a whol-ly-owned subsidiary of Westpac Banking Corporation. Standard Chartered Finance

had total assets of A\$591m at December 1989, ranking it about 14th in the industry. Mr Eirvin Knox, Standard Chartered Australia's managing director, described the sale as another step in the group's restructuring.
"Our strategy continues to

be to concentrate on our core business of assets, liability and advisory products with particu-lar emphasis on trade flows and Asian migration, involving the worldwide Standard Char-tered group," Mr Knox said. "The saie of Standard Chartered Finance will allow us to focus our activities and energles in these key areas."

Standard Chartered has been one of the least successful of the main foreign banks operating in Australia, reporting a pre-tax loss of A\$30m for 1989 after writing off A\$70m in bad and doubtful debts.

### IHI confirms revival of Japan heavy engineers By Our Financial Staff

THE REVIVAL among Japanese heavy engineering groups was confirmed yester-day by Ishikawajima-Harima Heavy Industries (IHI), which reported a 3.6 per cent rise in global net profit to Villiba (\$91m) for the year to March and said it was resuming shipbuilding at the third of its five yards after a 10-year gap.

The company shared in the recovery of the Japanese shipbuilding industry, with ship-building and ocean structure division sales climbing 17.5 per cent to Y113.3bn.

This represents only 14 per cent of its Y855.4bn total revenues, a markedly lower propertion than before the shake-out which dragged the industry into loss in the mid-1930s.

However, the increase is rather faster than IHI's modest overall growth rate in turnoser of 2.6 per cent. The company said it suffered from a fail-off in orders for power plants, but expects these to pick up this

It is forecasting a 9.1 per cent rise in consolidated sales to Y680bn. Net profits at Y15bn are expected to remain held back because of a higher tax

Aircraft engines and spacerelated equipment made up another growth area last year, with sales up 9.1 per cent to Y121.3bn. Yesterday Kawasaki Heavy Industries joined III in planning to para Rolls-Royce jet engine.

# Toshiba seeks European software links

THE INFORMATION systems division of Toshiba, the Jape-nese electronics group, plans to form alliances with European software and services companies, in order to remedy its inexperience in the development of western business

Mr Takeo Fujii, general manager of Toshiba's Europe office, said yesterday in London that the company envisaged a range of possible alliances from marketing agreements to equity participation.
The company is

wide market leader in compact but this revolution in truly range of alliances with Euro- business.

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personal computers either of the "laytop" or "notebook" style. Its computers are marketed in the West either through dealers or by val-ue-added resellers (VARs) who write applications software for business customers. In Japan, Toshiba markets a

full family of computers up to a powerful departmental system capable of supporting many users simultaneously.

The advent of laptop and notebook style personal com-puters is thought to herald a new wave of office automation

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By: Franklin Savings Association Bankers Trust Company, Trustee

delayed unless adequate soft-ware is available. Alliances with western computing services companies are increasingly being seen by the

portable computing will be

leading Japanese manufactur-ers as a way of developing from hardware manufacturers to systems specialists. Earlier this month, it was revealed that Mitsubishi was in talks with ACT of the UK aimed at an alliance to market computer hardware and software throughout Europe. Toshiba already has a broad

pean enterprises including an agreement with Alcatel of France to provide technological assistance and an agree-ment with Siemens of West Germany involving joint development of specialised semiconductors.

It manufactures televisions. microwave ovens, video cas-sette recorders and semiconductors in Europe and has just begun to produce laptop com-puters in West Germany. Information and communica-

tions systems are the fastest growing parts of Toshiba's

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# KIRIN

KIRIN BREWERY COMPANY, LIMITED

(Kirin Beer Kabushiki Kaisha)

Introduction to

The International Stock Exchange London

sponsored by

S.G. Warburg Securities

The Nikko Securities Co., (Europe) Ltd. Kleinwort Benson Securities Limited

The Council of The International Stock Exchange has admitted to the Official List all the shares of common stock of \\$50 par value per share of Kirin Brewery Company, Limited. The number of authorised shares of common stock is 1,800,000,000, of which 1,002,312,710 shares were in issue on 30th April, 1990. Dealings in the shares of Kirin Brewery Company, Limited will commence at 8.30 a.m. on 19th June, 1990. The shares of Kirin Brewery Company, Limited win commence at the Tokyo Stock Exchange, the Osaka Securities Exchange, the Nagoya Stock Exchange, the Kyoto Stock Exchange, the Hiroshima Stock Exchange, the Fukuoka Stock Exchange, the Nagata Stock Exchange and the Sapporo Stock Exchange.

Listing Particulars relating to Kirin Brewery Company, Limited are available in the statistical services of Extel Financial Limited. Copies of the Listing Particulars may be obtained during normal business hours on any weekday (Saturdays and Bank Holidays excepted) up to and including 21st June, 1990 from the Company Announcements Office, The International Stock Exchange, 46-50 Finsbury Square, London EC2A 1DD and up to and including 3rd July, 1990 from:

> S.G.Warburg Securities 1 Finsbury Avenue London EC2M 2PA

The Nikko Securities Co., (Europe) Ltd. 55 Victoria Street. London SW1H 0EU

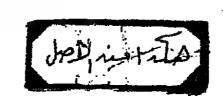
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19th June, 1997 

·Verkade **UB** (Holdings) Netherlands B.V. a wholly owned subsidiary of United Biscuits (Holdings) plc has acquired. Koninklijke Verkade N.V. The undersigned acted as financial advisers to United Biscuits

NOTICE IS HEREBY GIVEN THAT the Trustee under the Indenture hereby gives notice of receipt of the Notice of Digaffirmation and Repodiction of the On and after the Redemption Date, subject to receipt by the Trustee on or before the Redemption Date of the moneys for the redemption of all the Notes to be redeemed, together with accrued interest thereon to the Redemption Date, all Notes and coupons will no longer be deemed outstanding and all rights with respect thereto, except the rights of the Holders thereof to receive the amounts as set forth above, shall cease.

Pierson, Heldring & Pierson N.V.

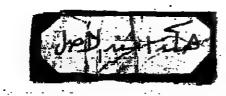


Dated: June 19, 1990

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# Bankers Trust Company

Because today isn't yesterday.

### FT GUIDE TO WORLD CURRENCIES

The table below gives the latest available rates of exchange (rounded) against four key currencies on Monday, June 18, 1990. In some cases the rate is nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

COUNTRY	_	£ STG	U\$ 5	D-MARK	YEN (X 100)	COUNTRY		£ 57G	US S	D-MARK	YEN (X 100)	COUNTRY		£ STG	US S	D-MARK	YEM (X: 100)
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Antorra	(Fr Fr) (So Peseta)	9.6550 176.30	5 6346 102 8688	3.3611 61.3751	3.6676 66.9705	Germany West Ghana	(DMark) (Cedi)	2 8725 560.5520	1.6763 327.1386	195,1442	1.0911 1.0911 212 9352	Paraguay (6 Peru	(inti)	44926.43	1126 6063	672.0417 2 15640 1849	733 3105 17066 0702
Angola Anglous	(Kwanza) (E Carr \$)	50.904u 4 6075 8523 77	29.9180 2.6889	17,7211	19.3367	Gibraltar Greece Greenland (Des	(Gib £) (Drachma)	289 10	0 5836 168.7189 6 4021	0 3481 100 5440 3.8189	0.3798 109.8195 4.1671	Philippines Pitcairn Is (£.5	(Caling)	37.70 1.00 2.9333	0.5836 1.7118	13.1244 0.3481 1.0211	0.3798 1.1142
Argentina Aruba Australia	(Austrat) (Florin)	3 0546	4974,4791 1.7826	2967,3698 1.0633	3237 8995	Grenada Guadaloupe	(E Carr S) (Local Fr)	4 6075 9.6550	6.4021 2.6889 5.6346	1.6040 3.3611	1.7502 3.6676 0.6509	Poland	(Zigty)	16012.00	9344 6162 147.6510	5574 2384 88.0765	6082.4311 96.1063
Austria	(Schilling) Port Escudo)	2.1925 20.20 253.00	1.2795 11.7867 147,6510	0.7632 7.0322 88.0765	0.8328 7.6733 96.1063	Guara Guatemala Guinea	(Duetzal)	1 7135 6 7056 511 95	I 3.9133 298.7744	0.5965 2.3344 178,22e5	0.6509 2.5472 194.4729			253 00 1.7135 6.2241	3.6323	0.5%5	0.6509
Bahamas Bahrajn	(Bahama 5) (Dinar)	1.7135 0 6444	1 0.3760	0.5965 0.2243	0.6509 0.2447	Guinea-Bissau Guyàna (G	(Peso) Lymese 50	1109 22u	650 33	376 1514 19.4516	2.5472 194.4729 421.3561 21.2250	Catar Reunion is, de la		9.6550	5.6346	2.2667 3.3611	2.3643 3.6676
Balearic is Bangladesh	(Sp Peseta) (Taka)	176.30 57.50	102 8888 33.5570	61.3751 20.0174 1.1948	66.9705 21.8423 1.3038	Halti Honduras	(Goude) (Lempira)	7.3564u	5 4.4250	2.9704 2.5609	3.2412 2.7944	Romania Rwanda	(Leu)	35 291 130,4475	20.5952 76.1292	12.2854 45.4125	13 4055 49 5527
Barbados Belgium	(Barb S) (Belg Fr)	3.4323 59.30	2.0030 34.6075	20.6440	1.3038 22.5261	Hong Kong Hungary	(HK 5) (Forist)	13,3035	7.7639 65.0248	4.6313 38.7885	5.0005 42.3247	St Christopher (E St Helena	Carr S)	4.6075 1.00	2.6889 0.5836	1.6040	1.7502 0.3798
Selize	(BS)	3.413		1.1861	1.2964	Iceland (Icelan	dic Krona) Ian Rucee)	103.02 29.50	60.1225 17.2162	35.8642 10.2697	39.1339 11.2060	St Lucia (E St Pierre (Fri	Carr Si meh Fri	4.6075 9.6550	0.5836 2.6889 5.6346	0.3481 1.6040 3.3611	1.7502 3.6676
Benin Bermuda (B		482.75 1.7135	1.9918 281.7332 1	168 0591 0.5965 10.2697	183.3808 0.6509	indonesia Iran	(Runiah)	3159 05 118.20	1843.6241 68 9816	1099,7563	1200.0189 44.9002	St Vincent (E San Marino (Stalia	Carr Si an Lirai	2108.00	2 6889 1230.2305	1 6040 733,8555	1.7502 800 7597
Bhatan Bolivia Botswana	(Böllvlane)	29.50 5.3584 3.19	17.2142 3.1271 1.8616 5.1225	1.8654 1.1105	11.2060 2.0354 1.2117	iraq Cir irish Rep israel	aqi Dinar) (Putt)	1 0715	0.3100 0.6253 2.0668	0.1849 0.3730 1.2541	0.201B 0.4070 1.3466	Sandi Arabia	(Riyal) CFA Fr)	179 967 6 4050 482.75	105 0288 3 7379 281 7332	62.6516 2.2297 168.0591	68.3635 2.4330 183.3808
Brazil British Virgi	le (115 5)	3.19 94.4525 1.7135	1	32.8816 0.5965 1.0990	35.8793 0.6509	italy	(Sbekeil (Lira)	3.545 2108.00	1230.2305	733.8555	800.7597	Seychelles Sierra Leone	(Rapee) (Leone)	9.20 273.10	5.3691 159.3813	168.0591 3 2027 95.0739	3,4947 103 7416
Brunel Bulgaria Burkino Faso	(Brunel S) (Lev) (CFA Fr)	3.1570 503.40t 482.15	1.844 293.7846 281.7332 6.2900	175.2480 149.0591	1.1992 191.2250 183.3808	Jamaica (Ja Japan	(Yen)	263.25	6.8287 153.6329	4.0734 91.6449 0.3938	4,4448 100	Singapore Solution is Somali Rep (S	Milled (2) (2)	3.1570 4.3295 599.66	1.8424 2.5266 408.3221	1.0990 1.5072 243.5718	1.1992 1.6446 265.7777
Surma Burandi	(Kyat) (Burundi Fr)	10.7700 297.605	173.6825	3.7521 103.6048	4,0942 113.0503	Jordan (Jordan Kenya (Keny	uan vingir) a Shililag)		0.6601	13.6814	0.4297 38.9097	South Africa	(Rand)	4.5553c 6.7158g	Z.6584 3.9193	1.5858 2.3379	1.7304 2.5511
Cambodia Cameroon Canada	CEA EN	373.546 482.75 2,0065	218 281.7332 1.1709	130.0400 168.0591 0.6985	141.8955 183.3608 0.7622	Kiribati (Air Korea North	(2 nsijent (noW)	2.1925 1.6553	22,9355 1.2795 0.9660	8.7632 0.5762	14,9287 0.8328 0.6287 444,8451	Spalin ( Spanish Ports in	Peseta)	176.30	102.8888	61.3751	66 9705
Canary is Cp. Verde	(CV Escudo)	176.30	102 8888 72 4627 0 8300	61.3751 43.2253	66.9705 47.1661 0.5380	Korea Scoili Kuwait (Kuwa	(Won) alti Dinari	1236.92 0.4999	721.8675 0.2917	430.6074 0.1740	0.1898	N'Africa (Sp Sri Lanka	(Rupie)	176.30 67.50 19.5394	102,8888 39,3930 11,4032	61.3751 23.4986	66.9705 25.6410 7.4223 1.1539
Cent. Afr. Res Chad	(CI S) (CFA Fr) (CFA Fr)	1.4164u 482.75 482.75	0.8300 281.7332 281.7332	0.4930 168.0591 168.0591	183.3808		(New Kip) ebanese £)	2145.20	717.0586 668.3396	427.7389 398.6771	486.7350 435.0237		(E) (reblue Uneons	3.0376 4.5553	1.7727 2.6584	6.8022 1.0574 1.5858	1.1538 1.7304
Chile (C	bitsan Pusol minhi Yusui	52) 36 8.0795	304.2661 4.7152	181.5004 2.8127	183,3808 190,0474 3,0 <del>69</del> 1	Lesotho Liberia (L Libya (Lib)	(Mainti) Jberian S) yan Dinar)	1 7135	2.6584 1 0.2918	1.5858 0.5965 0.1740	1.7304 0.6509 0.1899	Sweden Switzerland	(Krons)	10.4400 2.4275	1.4166	1.5858 3.6344 0.8450 12.4757	1.7304 3.9658 0.9221
Colombia Comoros Congo (Brazz	(Col Peso) (CFA Fr) (CFA Fr)	839,48 482,75 482,75	489.9212 281.7332 281.7332	292,2471 168,0591 168,0591	318.8907 183.3808 183.3808	Liechenstein Luxembourg	(Swiss Fr) (Lux Fr)	2.4275 59.30	1.4166 34.6075	0.5450 20.6440	0.9221 22.5261	Tatema		35.8365¢	27.3416	16.3098	13.6131 17.7967
Costa Rica Côte d'Ivoire	(Colon) (CFA Fr)	153.875 482 75	89.8015 281.7332	53.5683 168.0591	58.4520 183.3808	Macae Madeira (Po	(Pataca)	13.7293 253.00	5.0124 147 6510	4,7795 88.0765	5.2153 96.1063	Tanzania (S Thailand	hilling) (Baht)		27.3416 192.4715 25.3866 261.7532	114 8128 15.1436	125.2801 16.5242
Cyprus (	(Cuban Peso) (Cypres D	1.3597 0.8025	0.4683	0.4733 0.2793	0.5165 0.3048	Malagasy Rep Malawi	(MG Fr) (Kwacha)	2214,25 4,8285	147.6510 1292.2381 2.8179	170.8442 1.6809	841 1206 1.8341 1.7603	Tonga is (Pa	CFA Fr) a Anga) (S)	7 2697	4 2426	168.0591 0 7632 2,5307	183.3808 0.8328 2.7615
Czechoslovak	ia (Komma)	28.03c 47_33t	16.3583 27.6218	9.7580 16.4769	10.6476 17.9791	Malaysia Maldive is Mail Rep	(Ringgit) (Ruffya) (CFA Fr)	4.6340 15.7220 482.75 0.5595	2.8179 2.7044 9.1753 281.7332 0.3265	1.6132 5 4732 168 0591	5.9722 183.3808 0.2125	Tunisia Turks Turks & Calcos	(Lira)	1.5520 4490.80 1.7135	0.9057 2620.8345	0.5402 1563.3768 0.5965	2.7615 0.5895 1705.9069 0.6509
Deranark (Da	nish Kroner)	10,9700	6.4021	3.8189	1.1671	Maita (i Martinique	Maltese £) (Local Fri	0.5595 9.6550	0.3265 5.6346 83.5249 15.2611	168 0591 0.1947 3.3611 49 8241	0 <u>2125</u> 3.6676 54.3665	Tuvalu (Austri	ailan Ş)	2.1925	1.2795	0.7632	9.8328
Djibogti Rep Dominica Dominican R	(E Carrib \$7	300.00 4.6075 14.3817	175.0802 2.6889 8.3931	104.4386 1.6040 5.0066	113 9601 1.7502 5.4631	Mauritania Mauritius (Ma Mexico (Mex	lcan Peso)	4863.674		9.1035	9.9335 1847.5479 1815 9886	United Kingdom	(interni) (E)	654.25 6.2726 1.00	381.8208 3.6606 0.5836	227,7632 2.1836 0.3481	248_5280 2_3827 0_3798 0_6509
Ecuador		1595.700 1278.03a	931.2518	555.5091	606.1538	Miquelon	(Local Fr)	4780.59d 9.6550	2838.4417 2789.9562 5 6346	1664 2610	3 6676	United States Unagazy USSR 0	(US S) (People) Roable)	1.7135 1930.38 1.0135	1 1126 5713 0.5914	0.5965 672.0208 0.3528	0.6509 733.2877 0.3849
Egypt El Salvador	(Egyptian 2) (Color)	4.6375 10.6536	745.8593 2.7064 6.3342	1.6144 3.7785	485 4814 1.7616 4.1230	Mongolia	French Fr) (Tugrik) (E Carr S) (Dirham)	5.7262u	5.6346 3.3555 2.6889 8.6695	1 6040	3 6676 2.1751 1.7502	Vannatu	(Vais)	203.00	1230.2305	70.6701	77 1130 800.7597
Ethiopia (Et)	a (CFAFt)	482.75 3.5062	281.7332 2.0462	168.0591 1.2206	183,3808	Morocco Mozambique	(Dirbam) (Metical)	14.8553 1623.15	8.6695 947.27 <u>16</u>	5.1715 565.0652	5.6430 616.5811	Vietnam	(Dong) (US S)	2108.00 81.4005 7679.25 1.7135	47.5053 4481.6165	733 8565 28.3378 2673.3681	30.9213 2517.0940
Falkland is Farne b. (De	(Falk £)	1.00 10.9700	0.5836	0.3481 3.8189	0.3798 4.1671	Nauruk (Au	S A Rand) stralian S)	4.5553	2.6584 1.2795	1.5858 0.7632 17 0934	1_7304 0.8328	Virgin is-British Virgin is-US	(なるな) (なるな)	1.7135 1.7135	i	2673,3681 0.5965 0.5965	0.6509 0.6509
Fiji is Finland	(Fiji S)	2.5844 6.7815	6.4021 1.5082 3.9576	0.8997 2.3608	0.3798 4.1671 0.9817 2.5760	Nepal (Nepal Netherlands N'nd Antilles ()		49.101 3.2325 3.05460	1.2795 28.6553 1.8864 1.7900	1.0633	18.6518 1.2279 1.1603	Western Samon		3.9761	2.3204	1.3841	1.5103
France Fr. Cty/Africa Fv. Gallang	(Local Fr)	9.6550 482,75 9.6550	5 6346 281.7332 5.6346	3.3611	3.6676 183.3808 3.6676	New Zealand Westragus	(NZ S)	2.9333 290105.00	1.711) 169305.515 281.7332	1 0211	1.1795		(Rial) (Dinar) (Dinar)	20,478 0.7850a 20,2534	11.9509 8.4610 11.8199	7.1269 0.2732 7.0507	7.7789 0.2981 7.6935
Fr. Pacific II	(CEP Er)	175.00	103 1301	60.9225	66.4767	Niger Rep Nigeria Norway (M	(CFA Fr) (Naira) or, Krose)	482.75 13.4472 11.0950	7.8477 6.4750	168 0591 4.6813 3.8624	5 1081 4 2146	Zaire Rep	(Zaire)	962.60 67.25	561,7741	333.1087 23.4116	365.6600 25.5460 1.5992
							ai Omani)	0.6561	0.3840	0.2291	0.2499	Zimbalawe (A	(50)	421	34.2471 2.4569	1.4656	1.5992

onmerelal rute ; (d) Controlled rate; (a) Essential imports; (g) Financial rate; (h) Exports; (f) Non commercial rate; (j) Bu artet rate; (a) Official rate; (p) preferential rate; (q) convertible rate; (r) parallel rate; (s) Setting rate; (t) Tourist rate; (u) Some data supplied by Bank of America, Economics Department, London Trading Centre. Exquiries: 01. 634 4360/5. Microlay, June 18, 1990.



# TRADE INDEMNITY PLC 071-739

SPECIALIST EXPORT SERVICES, Tailor-made credit insurance for safe expansion into export markets.

4311

**OMRON TATEIS** 

ELECTRONICS CO.

Advice has been received from Tokyo that the Pitry Third Annual Meeting of Sharahotses will be held at the Enstruken Hear at the Head Office of the Company located at 10, Tsuchido-Cho, Hareszon, Ukryo-Ku, Kyoso at 10,00 a.m. on Thurisdey June 28th 1950.

Matters to be reported Business report and Income steement for the S3rd Fiscel Year from April 1st 1985 to March 31st 1980, and Belante Shert as of Merch 31st, 1990.

Year.
(2) Yen 6.60 per share osch dividend.
In accordance with Classes 15 of

Germany.
BANK OF TOKYO LIMITED, Avenue
des Arts 47-49, 1040 Brussele,
Belgium.

Des Arts 47-46, 1040 Priseen, Beigium, BANK OF TOKYO LIMITEO, Surterfend House, 3 Chetter Flood, Hong Kong, BANK OF TOKYO TRUST CO. 109 Broschey, New York Cty N.Y. 10005.

10005.
If desired, instructions may be given to Hill Samuel Benic Limited to give discretionary proxy to a person designated by the Company.
Voting Rights may only be exercised in respect of Depositry

Copies in English of the full text of the Notice convening the Meeting II required, are available during normal business hours, at the offices of any of the store revening Entitle.

The Molson

Companies Limited

U.S. 520,000,000 Floating Rate Not losue date 21st May 1987 Materity date 21st May 1992

period from 20th June 1990 to 20th September 1990 the rate

of interest on the notes will be 81/18 per annum. The interest payable on the relevant interest payment date will be U.S. \$10,461.81 per U.S. \$500,000

Morgan Grenfell & Co. Limited

Reference Agests

HKLL SAMUEL BANK LIMITED. 40 Geogra Simmit

This announcement appears as a matter of record only.

22ad May, 1990



# J. Lauritzen Holding A/S

(a Company incorporated under Danish law)

Offering of

342,968 B-shares of DKK 20 nominal value each

Offer Price DKK 1,690 per share

**UBS Phillips & Drew Securities Limited** 

Den Danske Bank

Nomura International

Christiania Fonds A.S

Dresdner Bank Aktiengesellschaft

Unibank

Commerzbank Aktiengesellschaft

Goldman Sachs International Limited

J.P. Morgan Securities Ltd.

Paribas Limited

Vereins- und Westbank Aktiengesellschaft

PKbanken

M.M. Warburg-Brinkmann, Wirtz & Co.

Advisers to the Company

**UBS Phillips & Drew Securities Limited** 

Gudme Raaschou

Den Danske Bank

# INTERNATIONAL CAPITAL MARKETS

# Gilt prices depressed by high May PSBR figure

By Deborah Hargreaves

GILT-edged securities prices suffered from the release of a set of economic figures yesterday that disappointed the market. Last week it had been buoyed by rumours of the UK's entry into the exchange rate mechanism of the European Monetary System. Prices drifted down by almost a point across the yield curve and trad-

ers remain pessimistic. The figure that shook the gilts market was the Govern-ment's Public Sector Borrowing Requirement for May, which proved to be almost £1bn above economists' predictions. The market was expect-ing the PSBR figure to be around £500m, but it turned out to be £1.7bn, which depressed gilts prices for the rest of the day, pushing yields to around 11½ per cent. Although a closer reading of

the figures shows the trend to be better than an initial glance would indicate, the market's knee-jerk reaction was one of

#### GOVERNMENT BONDS

distress at the Government's deteriorating finances and an expectation that more gilts sales could begin again soon.

■ THE West German bond market is virtually paralysed in the run-up to monetary union on July 2, with trading dominated by brokers and arbitrageurs as prices are confined in a narrow range. In the ence of much market activity, trading houses are rife with rumour about new issues as they fear a new Bund would further depress demand.

The market expects the next federal bond to carry a 9 per cent coupon, although it is looking towards the end of the week for more details. In addi-

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87 5258 -0 046 7 55 92 4599 +0 001 9 55 No 119 4 800 No 2 5 700 7.28 6 8 : 6/99 3/07 62/00 92 7500 -0 150 8 88 35.8 7.750 GERMANY 98 0173 -C 138 10 C8 92 3300 -0 130 3 74 FRANCE BYAN (5:60 90 2500 40 350 10 93 10 51 10 83 CANADA . 05.00 99.600 - 4.00 9.54 5.97 NETHERLANDS 12 000 7/99 91 6457 -0 120 13.53 13.53 13.60 AUSTRALIA ing, "Conotes New York closing session i market standard Prices US UK in 3 and w. others in decimal factorical Data-ATLAS Price Courtes London closing, "denotes New Yrolds Local marke: standard

BENCHMARK GOVERNMENT BONDS

that the much-heralded unity bonds to fund German unufication could have maturities ranging from 15 to five years.

While futures prices were five pfennigs lower at \$1.89 and a yield of 8.86 per cent, the cash market closed little changed with the 8% per cent May 2000 bond trading at 99.33. The spread between the Ger-

man and Dutch markets has narrowed to 14 basis points as activity in the Netherlands remains slow.

■ US Treasury bonds moved lower yesterday in a continued reaction to last Friday's stron-ger than expected rise in industrial production for May. This convinced some in the market that the US Federal Reserve would not decide to ease monetary policy at its early July Federal Open Market Committee meeting.
In late trading, the bench-

mark long bond was quoted a point lower for a yield of 8.46 per cent and short-dated matu-

rities were quoted around point lower. tion industrial production rose day.

tion, traders are anticipating 0.6 per cent in May and the previous month's figure was revised up to show a gain of

Month Mgo

0.4 per cent. In addition, capacity utilisetion was at its highest level since August 1989

This balanced some reasonably subdued producer and consumer prices reported for May last Thursday and Friday and a surprisingly large drep in retail sales last month, putting the bond market on the

There is a batch of economic data due this week but it is unlikely that they will trapper the kind of volatility seen last week.

May housing starts are released today followed by the latest Tan Book of regional economic reports, this month written by the Cleveland

This is followed on Thursday by the May budget announcement from the Treasury and the final report on first quarter gross national product.

Durable goods orders and personal income and consumption for May come out on Fri-

# Portal starts slowly but successfully

By Andrew Freeman

Securities Dealers successfully launched its Portal electronic system for trading privately-placed debt and equities in the

US last Friday. However, the

THE National Association of system had a quiet start, as only three issues of securities

are eligible.

Portal has been developed to accompany the newly-liberalised private placement rules

created by the Securities and Exchange Commission's Rule 144a amendments. The system allows screen-based price quotation and book-entry settle-

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BURTON GROUP 4 3/4 GJ E

EASTMAN XODAK 6 3/8 GJ

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GOODYEAR TIRE 6 7/8 GJ

GRAND MET 6 1/4 GZ E

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MILLSOOWA 4 1/2 GZ E

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GRAND GROUP 6 3/4 GY

PALIFIC GUALDP 6 3/4 GY

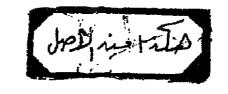
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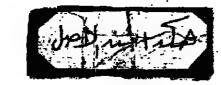
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STRAIGHT BONDS: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions.

FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.db = Date next cuspon becomes effective. Spread = Margin above aix-month offered rate (three-month salrows mean rate) for US dollars: C.cpn = The current ocupon. CONVENTIBLE SCHOOL Connected in dollars unless otherwise indicated. Cho. day = Change or cay. Cov. gate = First days of currency or shares. Cov. price = Nominal ancount of bond per share expressed in currency of share at convention rate fixed at table. Premis Parcentage premium of the current effective price of acquiring shares via the bond over the nount rocent price of the shares.

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# Turks form long queues for Petkim MENT BONDS shares

By Jim Bodgener

LONG queues of Turks formed yesterday outside branches of the quasi-state bank Turkiye Is Bankasi to buy shares across the counter in Petkim, the state petrochemicals

group.

The sale is the biggest stage yet in the Turkish Government's ambitious privatisation programme. A total of TL183.6bm (\$69m) worth or about 9 per cent of Petkim's TL2,000bn capital was sold yesterday in the total issue of 20 per cent. Many investors were mid-

de income people eager to buy into what they consider a more durable investment than many companies quoted on the Islambul Stock Exchange. This is in line with the gov-

ernment's aim of extending the capital markets by spread-ing privatisation through

ing privatisation through share ownership. The percentage of Petkim's capital which will finally be issued will depend on demand.

The three with a naminal value of TL1,000 were priced very attractively at TL2,500 each, with an expected market value once they reached the Islanbul exchange of between TL3,500 to TL4,000.

An exchange listing will fol-An exchange listing will fol-low in two weeks.

### Sydney futures probe launched

THE SYDNEY Futures Exchange (SFE) has begun an investigation into unusual price movements in three-year Treasury bonds shortly before the expiry of the corresponding June futures contract on Friday, Agencies report.

The three-year bond contract is a cash settlement contract is a cash settlement contract and the closing price is worked out by the SFE against a basket of physical prices. In the quarter hour before the June contract expired its quatation rose to 86.12 from 86.02, reflecting a 15 to 20 basis point fall in the yield of bonds underlying the contract. Its expiry price compared with a fall in the 10-year Treasury bond contract.

# develop network with Reuters

By Barbara Durr in Chicago

THE DECISION by three US stock and options exchanges to develop a joint trading system with Reuters takes the market a step closer to a 24-hour global

The Chicago Board Options Exchange (CBOE), the American Stock Exchange (American Stock Exchange (American Stock Exchange (CSE) and Reuters Holdings of the UK announced yesterday that they had become partners for a worldwide after-hours electronic trading system of equities and options.

The system, which will oper-ate between 6pm and 6am East-

ern Standard time, will be designed over the next 16 months and is expected to be launched in two to three years.
The announcement follows a similar one last week by the New York Stock Exchange, which had been invited to join the partnership. Mr John Hull, vice president of Reuters America, said: "we still want to bring them in."

The move to worldwide electronic trading will give the US an advantage, according to Mr James Jones, chairman of Amex. It and the CBOE have been competitors in options, but Mr Jones said that international competition had caused

tional competition had caused the exchanges to "put aside some of our competitive bias." Decisions on what products are traded and how fees are set have yet to be made. But ini-tially 24 "world-class stocks" (such as IBM), as well as the Standard & Poor's 100 index, which are now listed by the which are now listed by the exchanges, are expected to be included. Other exchanges are being invited to join the sys-

tem. Mr Jones said he had seen interest in London's equities markets and was optimistic about European participation. The CBOE will build and

operate the trading system's host computer, on which the CBOE, Amex and CSE will list their products. Reuters will provide the communications

their products. Reuters will provide the communications network to interface with the system host computer. The agreement between the three exchanges and Reuters, negotiated over the last nine months, will run for 12½ years.

Part of the impetus behind the move to 24-hour electronic trading of securities was the Chicago Mercantile Exchange's Globex system for after-hours trading of financial futures. The options system could end up joining Globex and the exchanges said they were talking about a link-up.

Deborah Hargreaves adds: Mr Jones said the decision to join the CBOE was part of the exchange's global strategy.

He envisages the development of a three-tier market whereby some products will be traded for 24-hours; other products will be international and will be covered by after-hours trading or by passing the book from one exchange to another; and the third tier of the market will be for domestic products.

The Amex is planning to make an announcement next

The Amex is planning to make an announcement next week about its proposed Situs system for trading privately-placed debt and securities in the US. The exchange is also pursuing link-ups with European exchanges, including the London Traded Options Market.

# Madrid seeks DTB system

sk,0 THE MADRID Stock Exchange agreed yesterday to adopt software from the Deut-sche Terminbörse (DTB), the German electronic system, for its planned options market, writes Katharine Campbell in Frankfurt.

Frankfirt.
A study commissioned by the exchange recommended a screen-based system. The Madrid equity market is in the pro-

with the contract with the second section between the second sections and the second

cess of transferring to the elec-tronic CATS, the Canadian sys-tem used by a number of Euro-pean stock markets.

Madrid has plumped for soft-ware developed by Arthur Andersen, the consultancy firm, for Soffex, the Swiss market, and expanded for the DTB, which overed in January. No which opened in January, No price was disclosed. Spain has two derivatives markets now.

# US exchanges to Italian railway offers \$500m fungible issue

By Tracy Corrigan

A CLUTCH of dollar offerings totalling \$800m, including a \$500m fungible issue for Fer-rovie dello Stato, the Italian state railway, dominated the Eurobond market yesterday. The bonds were launched into a declining US Treasury market, in the wake of some

INTERNATIONAL CAPITAL MARKETS

### INTERNATIONAL BONDS

disappointing economic data late last week.

However, with many investors still confident that rates are set to fall over the next few are set to fall over the next lew months, the price declines were perceived largely as a buying opportunity.

First Chicago is expected to launch its \$1bn credit cardbacked issue of global bonds in the next day or so.

The five-year bonds will be issued in registered form and will pay interest half-yearly, following US practice. Credit enhancement will be provided by a letter of credit from Credit Spiese and the bonds will be Suisse, so the bonds will be rated Triple-A.

Price talk is for a launch spread of 80 basis points above the five-year US Treasury

First Boston and Credit Sul-sse First Boston are lead managers in the US and Europe

espectively.
Also in the dollar sector, the Municipality of Madrid is likely to become the first in

**NEW INTERNATIONAL BOND ISSUES** Borrower
US DOLLARS
Ferrovis dello Stato(e) 
Reed Publishing(USA)(f) 
City of Kobe(g) 
BanCal Tri-State Corp.(g) 99.50 99.525 101.70 30/20bp Morgan Stanley Int. 1%/1.7 CSF8 2/1 Bank of Tokyo Cap. Mids 13/7 Mitsubishi Fin. Int. Japan Development Bank(g) ♦ 10<sup>1</sup>2 101.80 17/14 Gradh Lyamman CANADIAN DOLLANS J.P. Morgan & Co.(g) • 101% 13/% CSFB Banque Indosuez(b)‡♦ 200 Italistat Im.(c)‡♦ 180 WestLB Finance Curacac(d)\*\*\*♦ 100 20/10bp Trinkaus und Burkhardt 25/10bp Bayerische Vereinsbank

1014 whPrivate placement. #Reating rate notes. • Final terms. a) Call after five years at 101½ declining thereafter, b) Coupon pays 35bp over 6-month Libor, Short first coupon. Non-callable. c) Coupon pays ½ 6 over 6-month Libor first five years, then borrower has right to convert note into DM180m bond paying 10% for five years (non-callable), if not converted issue will remain FRN. Non-callable, d) Borrower option to pay last coupon in C\$. issue price not disclosed. Non-callable. e) Fungible with existing \$500m issue. Put July 1999 at par. Non-callable. Fixed re-offer price. f) Non-callable. Fixed re-offer price. g) Non-callable. Fixed re-offer price and information of the coupon pays ½% over 3-month Libor. Fixed re-offer price minimum 99,92. Call from July 1993 at par.

Spain to tap the Eurodollar bond market.

Nomura International has 15 and 20 basis points. The issue closed at 99.47 bid, below the fixed reoffered price bond market.

Nomura International has been mandated to lead a \$250m three-year offering, once the Spanish authorities have sanc-

Spanish authorities have sanc-timed the deal.

Ferrovie's \$500m issue of 9% per cent bonds, fungible with an outstanding \$500m deal, was arranged by Morgan Stanley.

The bonds can be put in

1999, with final maturity in 2009. The launch spread of 50.5 basis points was said to be reasonably attractive, as dealers valued the put option, which investors to extend the bonds' maturity, at between

There is an investor put option if Moody's or Standard

below investment grade as a result of specific events, which include asset sales and acquisi-

of 99.60.

Also in the dollar sector, Reed Publishing (USA) brought a \$150m seven-year issue guaranteed by Reed International, the UK publishing concern.

The 9% per cent bonds were launched by Credit Suisse First Boston at a yield spread of 100 basis points. Like Reed's \$125m five-year deal launched last December the new issue

December, the new issue includes event risk protection

Dealers reported steady demand, especially from UK institutions. The issue was quoted at 99.48 bid, just below the fixed reoffered price of 99.525. The funds are being used to

refinance commercial paper borrowings arising out of recent US acquisitions, enabling Reed to lengthen the maturity of its debt. A \$150m issue for the City of Kobe, guaranteed by the Gov-ernment of Japan, met steady

demand. The bonds, launched by Bank of Tokyo Capital Mar-kets, were bid at less 2.10, just outside two point fees.

In the German bond market, two 10-year issues of floating rate notes were launched for Banque Indosuez, the French bank, and Italstat International, guaranteed by Autos-trade of Italy.

Demand for the Indosuez

deal, which pays interest at 35 basis points above six-month London interbank rate, was somewhat limited by its subordinated status, although the pricing was reported to be in line with the market. The deal, via Trinkaus & Burkhardt, was bid at 99.75, just outside its total management fees. The Italstat offering was regarded as a touch on the tight side, in view of the borrower's option to switch to a fixed rate after five years. The issue, via Bay-erische Vereinsbank, was bid at less 0.45 bid, outside its full

management fees.
In the Ecu bond market, the
Japan Development Bank
brought an Ecu200m offering of 10% per cent five-year bonds. Dealers said the bonds were attractively priced at a currently preferred maturity. Strong, primarily European, demand held the bonds within full fees of 1% at less 1.65 bid. The deal was swapped into yen. Late in the day, J.P. Morgan brought a C\$125m three-year offering via CSFB. The 13 per cent coupon is intended to attract partial investors. attract retail investors.

# Indian home finance group Cemex completes \$100m plans \$100m Eurobond

By Tracy Corriger

INDIA'S Housing Development Finance Corporation is prepar-ing a \$100m Eurobond, the first to carry a partial guarantee from the World Bank under its new Expanded Co-financing Operations (ECO) programme. The 15-year fixed-rate notes are expected to be issued in about a month, once the guarantee has been negotiated. Salomon Brothers is the lead underwriter. The notes will be targeted at US institutional investors such as insurance companies, said Thomas W. Jasper, managing director in charge of Asia Pacific banking at Salomon in New York. The World Bank's ECO pro-

gramme, given the go-shead by the bank's board last year, is designed to help borrowers gain access to markets which might otherwise be closed to them, said Sanjivi Raja-

them, said Sanjivi Rajasingham, a co-financing
advisor at the bank.

The Government of India
will guarantee interest, and
any accelerated principal
repayments, while the World
Bank guarantee, for which it
charges a fee, only covers the
scheduled principal repayment.
HDPC is the largest private
retail housing finance institution in India. The proceeds of
the private placement will
finance home mortgages.

finance home mortgages.

# convertible Eurobond By Richard Johns in Monterrey

CEMEX, the leading Mexican coment producer, has successfully completed a \$100m community term of 12 years and an

cement producer, has successfully completed a \$100m convertible Eurobond.

The issue, brought by Sunbelt Enterprises, a subsidiary of Cemex, was sold through Citicorp Investment Bank to The issue will be exchangeable into the American deposi-

tary receipts of Tolmex, a Cemex subsidiary, which will be listed on Nasdaq this sum-The issue should enable Cemex to reduce its debt-equity ratio by 7 percant-age points from about 90 per cent, said Mr Lorenzo H. Zam-

initial coupon of 11 per cent, rising to 13.54 per cent for the

rising to 13.54 per cent for the last nine years.

Cemex is also planning to list its own shares on Nasdaq later this year. Completion of the convertible bond issue brings to \$250m placements made by Cemex in the international markets over the past eight months.

Mr Zambrano said that the

Mr Zambrano said that the holding company's aim was to reduce its debt-equity ratio to about 60 per cent at the end of this year and eventually to about 45 per cent.

#### CP programme doubled to £200m By Andrew Freeman

PHH Corporation, the first company to issue sterling com-mercial paper when the market began in 1986, has doubled its

existing commercial paper programme to £200m.

The Swindon-based company, which operates vehicle fleet management and proper-ty-related services through two main subsidiaries, said the increase was to allow the replacement of some existing borrowings. Its original CP programme was fully utilised a few months ago. The dealers for the expanded

programme are Barclays de Zoete Wedd, Midland Montagu, NatWest Capital Markets and S.G. Warburg Securities.

### LONDON MARKET STATISTICS

LONDON RECENT ISSUES

RISES AND FALLS YESTERDAY

British Funds
Deparations, Dominion and Foreign Boads
Industrials
Financial and Properties

**MOUTHES** 

	FT-AC										
	encial Time									_	
in conjunct	on with the	Inetit	ute of	Apha	ries s	nd th	Peo	_		eries	
EQUITY OR	DUPS		Ment	by Jan	e 18 2	1990		Jun Jun 15	This Just 14		Year ago (appro
a sub-sect	TIONS			Est.	Gross	Est.	and sold	,	- 1		
igures in parentheses si stocks per sec		Sociex No.	Day's Change	Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	P/E Ratio (Net)	nd adj. 1990 to date	ledex III).	Index No.	ledex Mo.	lede No.
CAPITAL GOODS (196		909.58	-0.6	12.77	5.05	9.54	17.22	915.50	915.44	915.15	957,
Building Materials (2		1133.56	-0.7 -1.1	13,72 16,93	5.31 5.78	9,62 7,69	25.77 34.44	1141.65 1437.63	1138.28 1436.61	1133.39 1437.62	
Contracting, Construction	HOU (26)	2619.14	-0.6	10.06	5.13	11.33	61.43	2635.77	2647.18	2647.62	
Electronics (29)	,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	1898.86	-0.2	9.79	3.97	13.24	21.38		1892.63	1913.75	2249.
Engineering-Aerospac	e (8)	491.70	-11	13.18	4.74	9.04	9.42	496.92	499.78	502.42	
7 Engineering-General (	43)	503.19	-0.4	11.50	5.06	10.50	8.93	505.10	504.52	504.53	0.
Metals and Metal For		496.76	-0.5	23.63	6.77	5.01 7.90	2.46 9.81	499.49 379.45	498.27 372.00	499.03 371.50	517. 322
9 Motors (15) Di Other Industrial Mate		376.62 1657.48	-0.7 -0.6	14.76 10.69	6.13 6.84	10.80	34.38	1670.00	1670.69	1672.65	
DI Other Industrial Mate LICONSUMER GROUP (		1315.24	-0.8	9.27	3.84	13.33	19.74	1525,73	1337.09	1338.50	
Browers and Distiller	(21)	1614.16	-0.6	9.44	3,58	12.81	23.35	1624.16	1624,79	1638.69	
			-0.7	10.30	4.32	12.02	17.76	1114.80	1122.22		
b Food Retailing (16)	***********	2470.49	-0.9	9.40	3.33	13 14	33.61		2498.64	2530.09	
Health and Household	(15)	2606.67	-0.6	6.60 9.80	2.65 4.14	18.03 12.41	24,15 24,36	2621.92 1508.72	2648.27 1519.74	2632.07 1515.48	1651
Leisure (31)		1493.11	-1.0 -0.6	13.09	5.66	11.13	11.83	612.25	616.53	ALL M	567
1 Packaging & Paper (1 2 Publishing & Printing	3),,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,,	2552 20	-0.7	10.09	5.19	12.42	79.26	3577.76	3591.13	3559.94	
2  Publishing & Printing 4  Stores (35)	CLOV services services	831.14	-1.2	10.73	4.50	11.93	15.30	841.54	862.82	866.32	804
5 Textiles (12)		503.08	-0.5	12.57	7.11	10.19	16.06	505.37	512.95	515.42	
OTHER CROUPS CLOS	0	1203.84	-0.7	10.80	4.89	11.13	14,99	1712.00			
1 Agencies (17)		1,745,49	-0.7	5.77	2.19	20.97 11.03	14.99	1757.73 1352.49		1695.80 1335.16	
2  Chemicals (23)		1328.46 1703.99	-0.3 -0.8	10.61 9.69	4.98 5.80	12 14	26.40	1717.63		1721.84	
3 Conglomerates (14)		2306,98	+0.1	10.40	4.37	12.23	40.07	2303.59		2297.31	
4 Transport (13)	75	1205.20	-1.0	. 11.04	4.67	11.75	0.00	1217.28	1222.38	1229.50	
7 Water(10)		1971,28	-0.3	17.64	6.67	6.28	0.00	1977.97		1978.70	D.
B Miscellaneous (25)		1811.04	-1.6	11.94	4.86	9.55	36.78	1040.47	1825.37	1807.15	
9 INDUSTRIAL GROUP	(481)	1192.97	-0.7	10.60	4.46	11.50	18.09	1201.88	1205.53	1205.87	
1 011 & Gas (19)		<u>2293.56</u>	-0.7	12.29	5.39	10.75	46.50	2301.57	2321.03	2316.37	_
9 500 SHARE INDEX C	<del></del>	1285.83	<b>-0.7</b>	10.83	4.59	11.40	20.39	1295.36	1299.62	1299.59	_
1 FINANCIAL GROUP		807.17	-1.1		5.69		20.36	809.82 854.08	814.94 862.16	818.64 873.35	726 719
2 llanks (9)		844.09	-1.2 -1.0	19.44	6.37 5.17	6.73	25.62 36.94			1/25/12	
5 Insurance (Life) (7)		1421.40	-1.4	1 5 1	5.93	= 1	19.43	707.03	713-5	711.01	563
6 Insurance (Composite 7 Insurance (Brokers) (7	(O)	1022.61	-3.1	8.49	1.38	15.52	27.41	1055.81	1059.29	1057.76	966
8 Merchant Banks (7)		454.60	-0.4	-	4.36		8.55	456.22	456.33	455.55	327
9 Property (47)	- a - a - a - a - a - a - a - a - a - a	1090.35	-0.7	8.25	4.30	15.55	17.70			1095.54	
0 Other Financial (24).		300.85	-	12.32	6.40	10.60	5.96	300.02	301.75	308.88	356
1 Investment Trusts (67	)	1223.81	-0.5	9.76	3.1E 6.42	12,28	15.14 43.49	1229.50 1428.55	1227.79 1435.15	1228.17 1443.23	
1 Overseas Traders (5).		7422.40	-0.4	7.76	4.71	AEJER			_	1183.41	
ALL-SHARE INDEX	6/9)	1169.29 Jodex	Day's	Day's	Day's	Jun	Jim	Jin	Jen ·	Jan	Yes
		No.	Change	High (a)	Low (tr)	15	- 14	13	12	11	390
FT-SE 100 SHARE II	A CONTRACTOR OF THE PARTY OF TH	2370.5	-21.B	2204 K	2367.4	2392.3	2403.0	2405.4	2579.7	2348.R	215

*	FIX	ED I	NTE	REST	ſ			AVERAGE GROSS REDEMPTION VIELDS	Mon Jun 18	E-35	Year ago (approx.
	INDICES	Mon Jun 18	Day's change %	Fri Jun 15	xd adj. today	xd ad). 1990 to date	1 2 3	Britisk Gesenkinest Low Sycars Coupons 15 years	11.07 10.77 10.68	11.02 10.69 10.63	10.03. 9.57 9.39
3 4 5	5-15 years Over 15 years Irredeemables All stocks Index-Linkel Up to 5 years Over 5 years	115.21 121.33 125.09	-0.63 -0.76 -0.31 -0.47 -0.09 -0.49	115.86 122.30 126.05 144.78 122.28 146.27 139.23 139.64	0.20  0.29 	6.80 5.77 6.36	678930 11121314	Medium 5 years	12.09 11.24 10.86 12.19 11.49 11.09 10.65 5.29 4.18 4.16 3.99	11.97 11.13 10.77 12.08 11.38 11.30 10.61 4.15 4.10 3.95	11.09 10.02 9.56 11.23 10.24 9.74 9.39 1.85 3.79 3.61
9	himber & limit .	96.72	+0.31	98.42		5.64	17	Leans 15 years	12.87	12.92 12.91	11.56 11.26
10	Professor	73.90	-0.44	74.23	-	3,09	18	Produced	12,50		

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hone Price £	Amount "Paid ##	Latest Resenc Date	19 High	90 . Lavar	Stock	Clasing Price	e per
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# Core 'chore' businesses lift BET 19% to £322m

BET, the acquisitive services company which has been described as being in the "chore business", increased pre-tax profit by 19 per cent to £322.3m in the year to March

Turnover grew by 21 per cent to £2.69bn.

The advances were greater in the core "support services" part of the business. Figures declined for the activities which are for sale - Anglian Windows, Boulton & Paul (joinery), Hestair consumer products and a 28 per cent stake in Thames Television – partly by comparison with a year which included a contribution from publishing.

Operating profit from support services, which include textile rental, cleaning, plant hire and distribution, increased by 40 per cent to £312.1m. About half came from acquisitions - BET made 52 purchases last year, including the Hestair employment agency for £192m, compared with 85 in the previous 12 months.

After spending £438.5m on £266.9m on capital projects, net borrowings at the yearend more than quadrupled to tenand in plant hire and distribution. Continental Europe grew by 49 per cent.

Within support services, industrial and commercial

Mr Nicholas Wills, chief executive, said attention was now being focused on internal growth. The disposal of noncore businesses would greatly reduce borrowings (it has been estimated that Anglian and B&P will raise more than £200m). But he warned that the sales might take longer than had been hoped.

He also pointed to the impact of goodwill write-offs on shareholders' funds; if they were written back in, gearing would have been 23 per cent. The doubled interest bill of £42.4m was covered 8.6

Geographically, the UK accounted for 60 per cent of sales and 67 per cent of operating profit in support services. The fastest growing area was North America, where profit more than doubled thanks to improved margins in textile rental, Hes-tair's three-month contribution and strong demand in plant hire and dis-

£434.2m (£98m) and gearing activities contributed about shot up from 18 to 81.1 per 45 per cent of the £2.3bn cent. (£1.73bn) sales and a slightly higher proportion of the £312.1m (£223.1m) operating profit. Textile rental and washroom services earned the

most, followed by cleaning. Mr Wills complained about the stubbornly low margins in the work contracted out by local councils and health authorities. It was taking a long time for attitudes to change, he said. On the plant and construc-

tion side, profit rose to £112.4m (£73.7m) on sales of £805.2m (£613.2m). He said the slumps in housebuilding and home improvement hardly affected the core businesses, which were involved in heavier projects such as road building and the Channel tunnel. He did admit, however, that margins were coming under some pressure.

under some pressure.
In distribution, a profit of £51.2m (£35.1m) was made on sales of £459.3m (£364.4m).
Earnings per share, after paying out £13.5m in preference dividends, went up by 12 per cent to 28.5p (25.5p).
A proposed final dividend of 9p makes a total of 13p (11.5p).
See Lex

# Wembley moves to raise £38m

WEMBLEY, the leisure group which owns the national football stadium, is raising £37.5m through the sale and leaseback of the Wembley conference centre, exhibition hall and an office block.

Sir Brian Wolfson, chairman and chief executive, said the cash would be used to reduce gearing from about 100 to 75 per cent, about the same as it was at the December year-end. At that time its net assets were #155.45m.

Gearing had gone up since then because of the \$92.5m (£55m) purchase of five grey-hound tracks in the US, to add to the six it owns in the UK. The buildings are being bought by Amson Properties, part of the Kingstar Estates

Wembley has entered into 27-year leases and the initial rent is £4m a year. The ten-ants of the office block, MW Kellogg and Brent Council, pay annual rent totalling £1.5m. Revenues from the conference centre and exhibition hall amounted to £4.2m last

The move follows Wembley's policy of reducing its property activities to concentrate on the provision of sport, entertainment and services to the leisure industry.

Sir Brian, however, said it was a one-off transaction on assets that were conveniently linked together, and the option had been retained to

buy them back.

There were no plans to sell and leaseback the football stadium or the indoor arena. He added that the group was generating "quite a lot of cash" this year.

Its capital spending would be about £20m, including the doubling of its exhibition facilities by building a 65,000 sq ft

Since last May, the group has made four significant acquisitions: Meridian Holdings, which is involved in arena refits, joinery and interiors, for £15.5m; Juliana's hospitality and disconversely for pitality and disco company for £22m (the disco part has since been sold for £10m); Guild Entertainment, a film distributor, for up to £25m; and the US greyhound tracks.

Wembley embarked upon these acquisitions after losing

out in the race for Thomson T-Line, owner of the Vernons football pools business, which was bought by Ladbroke. Last year Wembley made pre-tax profits of £11.2m on

turnover of \$76.3m.

# Jaguar man welcomed into BAA fold

Paul Abrahams and Kevin Done on Sir John Egan's move from cars to airports after Jaguar, would be that he

THE APPOINTMENT of Sir John Egan, former chairman of Jaguar, the UK luxury car manufacturer, to the position of chief execu-tive of BAA has intrigued and surprised both the City and BAA employees who expected the job to go to someone previously associated with the aviation business.

Indeed Sir John will not easily be anyone's deputy. And he will need to establish quickly an effective working relationship with Sir Norman Payne. the chairman of BAA who led the former British Airports Authority through privatisa-tion in 1987, has been at the company since 1965 and whose style of management has been

described as "autocratic". BAA will want to avoid a repeat of the well-publicised personality clash between Sir Norman and Sir John's predecessor, Mr Jeremy Marshall, a former employee of Hanson, over the running of the com-

This ended last summer with Mr Marshall leaving the com-pany under a cloud but with

substantial compensation.
It is understood that negotiations over Sir John's responsibilities and duties at the company were lengthy. Sir Norman said yesterday that he would be looking after relations with the City and Government, while Sir John would take on the role of a hands-on man-

Sir John has no need to re-enter business - he is financially independent, having become a millionaire from the sale of Jaguar to Ford. And he has made it abundantly clear in the last six months that a condition of any job he took on

was running his own ship.
In the wake of Ford's £1.4bn takeover of Jaguar he declared openly, "I did not want to run a subsidiary of a large com-pany, that would have been a problem for me. I want the independence of action I have grown used to."

He has supervised the transition for Ford, but from the outset it was plain that he was looking for another high pro-file job in British industry, and it did not have to be in the motor industry.

"I am a straightforward capitalist businessman, not a professional car man stuck to one industry," he said in March when he announced his pending departure from Jaguar at London's Waldorf Hotel

He admitted to having received "a few approaches, four or five". Most recently his name was speculatively linked with the chairmanship of National Power, the largest generating company in the electricity privatisation programme, and earlier with British Rail.

Sir John, who joined Jaguar in 1980 and led its privatisation from the state-owned British Leyland group in 1984, has been one of the main symbols of the Thatcher Government's privatisation programme. He left the company on the high-est note with a second victory in three years in the Le Mans 24-hour endurance race at the

Sir John arrives at BAA at a time when the organisation is preparing itself for considerable challenges in the 1990s. The company is preparing

itself for the first statutory quinquennial reviews by the

HEATHROV AIRPORT HEATHROW LE MANS

Monopolies and Mergers Commission set up by the Govern-ment before BAA's privatisa-

The review due in 1992 will examine the company's operations at the south-east airports to ensure it is not exploiting its potential monopoly in the region. Sir John will also need all

his business experience to steer the company through a vast £1.2bn capital expenditure programme in new terminals and facilities over the next five

years. This includes a new ter-minal at Stansted.

The timing of such expendi-ture is crucial. If the invest. ment comes too soon, the facilities will be under-utilised and provide little return on capital. If too late, the company runs the risk of falling foul of the regulators for not investing enough in the country's airport infrast, ucture. The number of passengers at UK airports is set to double by the year 2005

Sir John will also need to demonstrate his political skilis. The Civil Aviation Authority is due to make a report this summer for the Department of Transport proposing the site of a new runway in the south-east of England. Whichever location is chosen, it is bound to cause a political furore.

Sir John will also need to demonstrate other political skills. AUT, the industrial services group headed by Mr. Michael Ashcroft, has built up a 9 per cent stake in BAA, but is unable to take it beyond 15 per cent by the Government's special or golden share. Sir John has bitter experience of golden shares at Jaguar when the Covernment bulled the car. pet from under him by ceding

Sir John's appointment will inevitably lead to speculation that, in the near future, he will replace Sir Norman, who is 68 and whose contract is due to expire in July next year.

Sir Norman assisted such speculation yesterday when BAA held a press conference to announce the year's results, and he said that Sir John would be "a hand-over, sorry,

# 'Sparkling' 29% advance to £256m higher than City forecasts

BAA, formerly the British Airports Authority, yesterday announced an increase of 29 per cent in pre-tax prof-its for the year to March 31, writes Paul Abrahams.

The results were linked to healthy growth in passenger and cargo vol-ume at the company's airports, as well as buoyant commercial activi-

The increase in profits from £198m to £256m was above analysts' fore-casts. They did not include an exceptional and unrepeatable deferred tax provision of £76.3m caused by changes in depreciation charges. Turnover expanded from £641m to

2747m. Earnings per share, excluding the exceptional tax credit, increased from 27.4p to 37.2p.

The directors propose a final divi-dend of 7p (5.5p) making 11.5p (9p)

A external revaluation of some of the company's assets, including terminals, aprons and runways, pro-vided a net asset value of 765p per

However, the valuation was not included in the balance sheet. The company stressed it was not considering disposing of any assets.

Analysts described the results as

sparkling. Mr Ian Wild, an analyst at

BZW, said there were few companies in the world at the moment capable of producing a 36 per cent increase in earnings and a 27 per cent increase in

The shares closed 7p up at 423p, bucking the market trend.

The number of passengers using BAA's seven main airports, which include Heathrow, Gatwick and Stansted, grew 5 per cent from 68m to 71m, in spite of a 9.2 per cent down-turn in the charter market.

Cargo volume increased 7 per cent from 918,000 tonnes to 985,000 tonnes. Revenue from airport duties increased from £260m to £294m. Other airport income increased from £337m to £391m.
Sales of duty and tax free Items were disappointing, however, failing 2 per cent in real terms. Other com-

mercial activities grew 8.8 per cent from £96.9m to £119.4m. Although staff costs were down in real terms, BAA was obliged to spend more on security last year following the Lockerbie bombing.

Additional security measures cost the company £10.5m on top of its existing security budget of £64.4m. BAA said it hoped to pass on the addi-tional costs to the airlines next

This announcement appears as a matter of record only

# intrum ( justitia

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The above are pleased to announce that the Introduction and Placing were successfully completed on 11th June 1990.

# **Silence** falls on Globe bid

By NIAN Talt

SILENCE REIGNED yesterday in the £1bn bid battle between the British Coal pension funds and their target, Globe Invest-

ment Trust. This was in spite of the fact that Monday represented "day 39" of the bid — the last date on which Globe could make new financial information available to shareholders.

It was also the second clos-ing date for the BCPF offer. However, given the market's general expectation that BCPF will need to raise its terms to win control, the figure for acceptances at this stage is likely to be of mainly academic

In the event, neither party released any statement, although BCPF will have to post the latest acceptance level today.

# Interest hits **CPU** profits

Doubled net interest and similar charges at £938,000, against £449,000, caused a fall in pre-tax profits at CPU Computers, the USM-quoted distributor of computer peripheral

equipment, in the year to December 31.

The taxable result was down at £534,000 (£864,000), though turnover rose 29 per cent to £60.45m compared with £47.01m. However, the cost of sales

was up 30 per cent at £51.27m (£39.38m).

This left gross profit at £9.18m (£7.63m) before other operating costs of £7.72m

(Sa Ram), Earnings fell to 1.23p (4.33p) per share and a maiden divi-dend of 0.82p for the year is proposed. The company said that the

first half of the year had seen "steady" growth, but that this had fallen to "moderate" in the

Notice to the Holders of European investment bank Staling Lira 200 Billion Floating Rate Notes Due 1995

Coupon No 6 due from June 11, 1990 to December 11, 1990 and be completed December 11, 1990 will be payable for December 11, 1990 at the rate of 11,875%.

M 603,646, per M 10,000,000 Nominal M 603,631, per M 100,000,000 Nominal Jame 15,1990

SANPAOLO-LARIANO BANK S.A. Agent Bank

# Glynwed seeks new bid formula

By Wikid Telt

GLYKWED International, the engineering group, is attempting to formulate revised proposals for the acquisition of Ahmasc, the beer keg maker, which would render a referral

to the Monopolies and Mergers Commission unnecessary. The deal was last week referred by Mr Nicholas Ridley to the MMC with the Secretary of State for Trade and Industry saying that his concerns cen-tred on the possible effects of the merger on competition for metal rainwater products. Glynwed's initial reaction

was to express amazement at the decision, and to claim that

the decision, and to claim that plastics — rather than metal goods — dominate the rainwater products market.

Unusually, the £34m bid had already been declared unconditional as to acceptances when Mr Ridley's decision arrived. As a result, the offer does not have to lapse automatically on the referral, but can continue to ran until June 28 April 1 to run until June 28. Any extension beyond that date

would require the Takeover Panel's permission. Utilising this "window", the

company's advisers pointed out yesterday that the bld was one of the first to be looked at under the new "pre-notification procedures" introduced for mergers and to be referred. They claimed that there may possibly be a lacuna in the new system, which prevented anyone from asking for - and Glynwed offering - undertak-

ings with respect to a particular niche market affected by the transaction. Building products is one of only three divisions within Alu-

complex.

The advisers said the possi-bility of amending the pro-posed acquisition so that an MMC reference is rendered unnecessary was now being examined. However, both the company and its advisers concede that the issue is highly

If no solution is available and Glynwed does decide to

if Glynwed was to walk away from the transaction alto

Alumasc shareholders. The transaction would be

The company said it would make another announcement "as soon as practicable." "We options," commented Mr Christopher Purser, the group's trea-

pursue the reference, it would

eventually lapse the bid and return share certificates to

unscrambled in similar fashion

# SI buy

The SI Group has exchanged contracts for the purchase of Annieston Farm, Scotland, for

£654.000 cash. The assets being acquired include 106 acres of gravel deposits with planning consent for the extraction of 1.2m tonnes of gravel together with outbuildings and some 375

acres of agricultural land.

**ABRIDGED PARTICULARS** 

# This advertisement is issued in accordance with the regulations of The Stock Exchange. Application has been made to the Council of The Stock Exchange for the undermentioned Stock to be admitted to the Official List. Dealings are expected to commence on Monday, 25th June, 1990. The East Worcestershire

**Waterworks Company** OFFER FOR SALE BY TENDER

on behalf of The East Worcestershire Waterworks Company

**Seymour Pierce Butterfield Limited** 

£3,500,000

93/4 per cent. Redeemable Preference Stock 1996/1997 Minimum price of Issue £100 per £100 Stock yielding at this price together with the associated tax credit at current rate, £12.968 per cent.

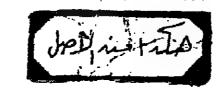
Tenders for the Stock must be made on the Form of Tender supplied with the Listing Particulars and must be accompanied by a cheque/banker's draft to cover the nominal amount of Stock applied for, together with premium tendered (if any) and sent in a sealed envisione to Coopers & Lybrand Deloitte, New issues Dept., PO Box 207, 128 Queen Victoria Street, London EC4P 4JX marisad "Tender for East Worcestershire Waterworks Stock" so as to be received not later than 11 am on Friday, 22nd June, 1990; when you consider the forest than 22nd June, 1990; cheques for sums of £10,000 and above must be for value on 22nd June, 1990.

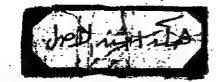
Copies of the Listing Particulars, on the terms of which alone Tenders will be considered, and Forms of Tender are available for collection for the following two business days from the date of this Notice from the Company Announcements' Office of The International Stock Exchange, 46/50 Firebury Square, London EC2, Copies of the Form of Tender may also be obtained during normal business hours until Friday, 22nd June, 1990 and the Listing Particulars until Thursday, 5th July, 1990 from:—

Seymour Pierce Butterfield Limited, 10 Old Jewry, London EC2R 8EA. Tel: 071 628 4981 Fax: 071 608 2405

or from Barclays Bank PLC, 118 High Street, Bromsgrove, Worcestershire B61 8ET and the Principal Office of the Company: 46 New Road, Bromsgrove, Worcestershire B60 2./T.

19th June, 1990





### **UK COMPANY NEWS**

# with advance to £130m

SEVERN TRENT, one of the UK's largest water companies, reported pre-tax profits of Ei30m in the year to March 31, beating its own forecast by nearly 59m. A final dividend of 9.9p is recommended, matching the prospectus forecast.

1370m at the end of the year.

Further funds would have to be raised to continue the heavy investment programme, the group said, but executives ruled out any possibility of a rights issue.

In 1989-90 Severn Trent devoted 5262m to its capital

the prospectus forecast.
Assuming Severn Trent had been floated with its new capital structure at the beginning of the financial year, the Midmade £217m before tax and after interest, compared with its forecast of £208m. Earnings per share would have been 55.4p, against a forecast of £3.7p, and the full-year dividend would have been 14.8p.

In 1988-89, Severn Trent rapital investment had an adjusted £97.5m.

made an adjusted £97.5m before tax, although that followed higher interest charges of £80.9m. Last year interest payments came down to £34m following the Government's write-off of debts and injection of a "green dowry" for all 10 former water anthorities before

Turnover for the 1989-90 year amounted to £544m, compared with £476m. The company said it had gross cash of just under

# Alan Cooper warns on profits

Orecasts

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Directors of Alan Cooper Holdings said yesterday that turnover and profits for the first half of the 1990 year were likely to be broadly in line with the £6.57m and £1.33m achieved for the second half of

last year.

For the opening balf of the current 12 months turnover and profits totalled 26.54m and 21.75m respectively.

They added that in the light

of a continuing weakness in the office furniture market they had implemented a cost cutting programme which included the loss of some 35 jobs at the Todmorder factory in West Yorkshire. Directors said the group had a healthy cash balance and no

borrowings.

They intend to maintain the 1990 dividend at the previous year's 7.7p level. The shares closed 15p lower

devoted £262m to its capital investment programme. Mr Roderick Paul, chief executive, said he preferred not to specify lands company would have how much the company would made £217m before tax and spend in the current year. "We spend in the current year: "We

> group's original priorities for capital investment had changed, although Severn Trent still expected to meet all its obligations to customers and the Government on drink-ing water purity and sewage

> Two large French water companies – Lyonnaise des Eaux and Compagnie Générale des Eaux – hold stakes of 2.7 per cent and 4.04 per cent respec-tively, bought shortly after the December flotation. There was an extraordinary

charge of 58.9m, mainly representing the cost of preparing for privatisation.

O COMMENT The Government's advisers

burdened Severn Trent's shares with the second lowest dividend yield of the 10 water companies at the December flo-tation. Most analysts thought that rather harsh, and the handicapping system, rather than any management deficiencies, explains the comparatively unexciting share price performance since December.
Profits should be flat for
1990-91 — rising perhaps to
£220m — so the group's 180,000
shareholders will count instead shareholders will count instead on the company's longer term strengths, which include its land-locked position (fewer environmental worries about sewage dumping) and a prudent attitude to diversification, involving small joint ventures. The partly-paid shares slipped lp to 148p yesterday: they have improved against other water stocks and the market in recent weeks, and look fairly valued on a prospective yield of between 7 and 8 per cent.

	Current	Date of payment	Corres - pronting dividend	for year	Total last year
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fin	9	· •	8	13	11.5
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er Electe §int	22	AUG 6		-	2.5
act Shop §Tin	2.1	July 31	: <b>21</b> ·	3.15	3.15
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tchieyfin	mil	-	14.4	6.5	20.9
Nicfig	1.5	Aug 17	2.25	2.5	3.25
nīn	6 .	Ĩ	4.75*	8	6.78
ett 5int	1	Oct 9	1		3.25

DIVIDENDS ANNOUNCED

Dividends shown pence per share not except where otherwise stated.

Ē	rights and/or acquisition issues. SUSM stock.	_
8	BOARD MEETINGS	_
	The following composites have sociled dates of board meetings to the Stock Exchange, Sturb researings are usually held for the purpose of considering dividencis. Official Indications are not available as to whether the cividencia are treatment of finals and the sub-dividenda are treatment of finals and treatment of finals are treatment of finals and treatment of finals are treatment of finals and treatment of finals are treatment of finals are treatment of finals and treatment of finals are treatment of finals are treatment of finals are treatment of finals are treatm	がありません

# Hewden Stuart chief cautious

ing profits. industrial in his circulated report he ficult.

Sir Matthew Goodwin, indicated that profits in the chairman of Hewden Stuart, told the singual meeting that the group would do well if it could maintain last year's trading mofits.

However, since then the outlook for the construction industry had become more different told the construction industry had become more different told. However, since then the out-look for the construction industry had become more dif-

### Kleinwort Charter

Eleinwort Charter Investment Riemwort Charter Investment
Trust had an new of 19-5p
(181-5p) at May 81. Not cornings for the air mouths were
\$2.46m (£1.78m); carnings
\$.03p (2.14p) and interim dividend 1.2p (1.075p).

# SMITH NEW COURT PLC

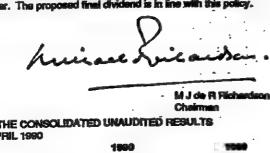
The preliminary unaudited results of the Company for the year ended 27th April 1990 show a pre-tax profit of £14,529,000 (1999 a loss of £12,579,000) and an effectex profit of £11,164,000 (1999 a loss of £13,594,000).

These results have been serned across the breadth of our activities and reflect the increasing maturity of the product areas established over the last few years as well as solid performances from our long established businesses.

It was reported at the interim stage that the Company had incurred a substantial loss on a trading position in Ferranti International PLC. A further, materially lower, loss was taken in the second six months. The Company continues to make a market in Ferranti shares but has disposed of the trading position it held during the first half of the year. The current year has started satisfactorily but given the nature of our business it is not possible to give any indication of the outcome for the full year.

The Directors propose a final dividend of 3 pence per ordinary share and, as no intering dividend was declared, this represents the total amout to be paid for the year ended 27th April 1990.

The Directors believe it to be in the best interests of shareholders and the Company's continuing expansion plans, to seek to pay a level of dividend each year which offers the prospect of increases over time, rather than one which reflects more closely the changes in the level of profitability from year to year. The proposed final dividend is in line with this policy.



OR THE YEAR ENDED 27TH APRIL 1990	1900 £'000	. 2000
Profit(Loss) of the Company and its subsidiaries	15,071	(12,628)
Share of related companies (Losses)/Profit	(542)	
GROUP PROFIT/(LOSS) BEFORE TAX	14,529	(12,579)
Tax	(3,365)	(1,005)
PROFIT/(LOSS) AFTER TAX Extraordinary Item	11,164	(13,534) (2,674)
PROFIT/(LOSS) FOR THE YEAR	11,164	(16,256)
DIVIDENDS Proference Shares:	(4,074)	(3,963)
Ordinary Shares: Interim Nii (1989 - 1.5p) Final Proposed 3p (1989 - mil)	(906)	(457)
TRANSFER TO/(FROM) RESERVES	6,164	(20,678)
Eernings per share Basic	23.5p 16.8o	(58.2p)

issued on behalf of Smith New Court Pt.C by Smith New Court Securities PLC, a Member of TSA and The International Stock Exchange

# Severn Trent beats forecast Hard task of cleaning up a tarnished City image Andrew Bolger on the horror story emerging for Sketchley shareholders

HE CHAIRMAN of a The new team said yesterday quoted company who describes a set of results as "truly dreadful," is obviously presenting bad news.

When that same non-executive chairman, Mr John Gillum, says he will resign soon and also amountees the markets of the company of

the replacement of the com-pany's merchant bank and stockhroker, one is clearly wit-nessing a genuine City horror

story. Not that had news is any stranger to shareholders in Sketchley, the dry cleaning and vending group which yes-terday reported annual pre-tax losses of fam and a deeply dis-counted £20.6m rights issue to prevent the company from continuing to breach its bank bor-

tinuing to breach its bank borrowing limits.

Having seen their shares as high as 4670 last year, yesterday's dire tidings knocked a further 20p off the Sketchley share price to 183p, which gives the company a market capitalisation of 266m.

That is is a long way short of the £123m which Godfrey Davis, the UK car dealing and laundry group, bid for Sketchley in February, Ironically, Godfrey Davis was scared off when Sketchley invecest profits of 58m for the year to March 31, well below the previous year's £17m.

sil, well below the previous year's 217m.

Next to try and take advantage of Sketchley's troubles was Compass Group, the contract cleaning, healthcare and building services company, which made an all-paper offer worth 296.5m in March.

Compass was requised when

worth £98.5m in March.
Compass was repulsed when
institutional shareholders
backed a new management
team, Mr John Richardson, a
former managing director of
Bond Corporation (UK) and
chief executive of Hong-Kongbased Hutchison Whampos,
and Mr Tony Bloom, ex-chairmen and chief executive of Premier Group Holdings of South
Africa.

They had sought indepe dent advice from Ernst & Young, chartered accountants, who had said that the revised

Share price (pence) 450

Half-year profits

drop to £5.41m

Nov 1989

accounting policies were not excessively prudent. Sketch-ley's existing auditors, KPMG Peat Marwick McLintock, have

said they will accept the new assumptions.

dent accounting judgment adds up to almost 27m - 23.4m for reassessment of bad and doubt-ful debts, 22.8m for reassess-

mil debts, F2.8m for reassess-ment of stock provisions and 2773,000 for a write-off of fixed assets. Another \$1m was accounted for by provisions for redundancy costs and other items, including the effect

accounting changes.

Sketchley said the main change in accounting policy concerned the treatment of residual values of leased wending machines. Under the

new policy, no account is taken of the residual values of

chines, either on lease or on

The effect of the more pru-

used machines. Leasing is a familiar subject

Godfrey Davie

bids £133m

return from lease. The board said the new policy took account of the unpredictable and volatile market value of

for Mr Gillum, who only became non-executive chairman on March 8, and who said yesterday that he would leave the board at the end of the forthcoming annual meeting. Mr Gillum was the last chair-

> Compass bids £96,5m

man of an independent Atlan-

man of an independent Atlantic Computers, the leasing company which recently pulled down its parent, British and Commonwealth Holdings.

Sketchley acknowledged yesterday that "1983-90 has clearly been a nightmare year for the company; its results have been disastrous and its credibility has been severely shaken."

The vending division lost, at operating profit level, £1.3m, a negative swing of £8.5m from

its reported operating profit for 1988-89. In fact, Sketchley said

the division's real showing was

Godfrey Davis drops

New management

appointed

had planned on an assumed boom in sales, which in the event did not materialise, and infrastructure had been built up in anticipation of an expan-

sion in business." Tighter financial controls had been introduced and the vending division's managing director had been replaced The workwear businesses had been merged to reduce costs

Profits warning

and a new managing director appointed from within the

group. Both the vending and workwear businesses had been carrying excessive overheads and further cost reductions

were planned.

However, the new management insisted: "Sketchley is a

fine brand name and the two

established core activities, dry

cleaning and workwear, are both sound businesses and

capable of improved efficiency and profitability, although cur-rent trading conditions are not

were only weeks ago being given a completely different view of their company by financial advisers who are among the best known names in the City, and who shared in the £1.8m in fees which Sketch-ley spent defending itself against Godfrey Davis and Compass? The Takeover Panel has con-

But where does that leave

Sketchley's shareholders, who

firmed that it will ask NM Rothschild, Sketchley's merchant bank, to explain why the £6m profits forecast made on March 1, and repeated a month later, had so quickly been proved wrong.

NM Rothschild said yester day that most of the provisions made which led to the loss reflected changes in judgment by the new management. The bank was confident that had the previous management con-tinued, the £6m profits forecast would not have been missed by very much. Mr Gillum said that until the

beginning of the year he had no idea of the optimistic assumptions being made about residual values of vending machines. As a non-executive director, he trusted the exist-ing management and their found it extraordinary that the same firm of auditors could endorse accounts based on such radically opposed judg-

said yesterday that they had not ruled out seeking damages from all or some of the parties involved, but said they had been so busy fire-fighting that they had not had time to obtain legal advice on the pros-pects of litigation succeeding.

considerably worse, as a major part of the exceptional charges in the accounts related to that While ruefully acknowledging that things were a lot worse at Sketchley than they had expected, both Mr Richardson and Mr Bloom yesterday insisted that the company could be turned around, and that they were a properly for a standard that they were the standard for a stand The company said: "This dismal trading position performance resulted from a combithat they were preparing for a long haul. nation of reduced sales and excessive and uncontrolled

Whatever the Panel or courts finally decide, it seems unlikely that the Sketchley affair will do snything to clean up the image of the City in the eyes of shareholders.

# "Quality for customers means quality for shareholders."

John Bellak, Chairman

Preliminary Results for the year ended 31stMarch 1990

Turnover	£544.1 m
Operating Profit	£163.9 m
Profit before tax	£129.9 m
Pro-forma profit before tax	£217.1 m
Pro-forma earnings per sbare	56.4 p
Dividends per sbare	9.9 p
Investment expenditure	£262 m

The 1989/90 Report and Accounts will be mailed to shareholders from 20 July 1990. Copies may be obtained in due course from the Director of Corporate Communications, Severn Trent Pic, 2297 Coventry Road, Birmingham B26 3PU.

Delivering

investment,

■ productivity,

t i m e.



# ECC sustains £2.9m loss on sale of Bryant stake

ECC GROUP, formerly English China Clays, yesterday sold its 29.02 per cent stake in Bryant Group to institutional investors for just under £50m.

Bryant is the housebuilding and contracting company for which ECC made an abortive £187m bld late in 1986. The sale nets ECC some

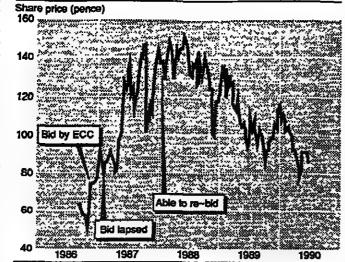
£49.9m. This compares with the £52.8m cost of acquiring the shares, which were picked up during the course of the fiercely-fought bid battle. The ECC offer finally lapsed in January 1987, with the bidder only able to claim control of 46.9 per cent of its target's

The holding was placed by Charterhouse Tilney, the stockbrokers, at 84p per share, compared with a closing price of 94p on Friday night. ECC said yesterday that Charterhouse, which does not act as broker to either company, had approached it for the stake. According to Charterhouse the shares went to a wide range of about 20 institutions. ECC shares greeted the news of the placing with a 12p rise to 402p, before closing at 400p,

at 86p. ECC's decision to sell its stake comes as no surprise. In May, the company announced plans to acquire Georgia Kaolin, a US-based company which mines and processes kaolin and which

while Bryant closed yesterday

**Bryant Group** 



was previously owned by ABB Asea Brown Boveri, for \$520m. Talking about the sources of funding for the deal, ECC said that it would raise at least £100m from the sale of non-core assets during 1990 and

Although ECC declined to comment on which assets might be up for disposal, analysts were quick to pinpoint ECC's housebuilding interests, and the Bryant stake in particular, as possibilities.

Yesterday, ECC said that the Bryant stake would proba-bly be the single most signifi-cant disposal, but that a "fairly radical review" of the company's assets had been

Other deals were likely to surface in the coming months, it suggested.

Bryant, which was not fore-warned about the stake sale,

said that it was "very pleased that the situation has been resolved in the best possible

This announcement appears as a matter of record only



# **US\$ 30 Million Pre-Export Finance Facility**

**Lead Managers** Standard Chartered Bank The Gulf Bank K.S.C.

Kuwait NMB Postbank Groep N.V.

### Manager

The Bank of Kuwait and the Middle East K.S.C.

# **Participants**

The Arab Investment Company S.A.A. Banque CSIA Bayerische Vereinsbank Aktiengesellschaft Deutsche Verkehrs-Kredit-Bank AG First Commercial Bank (London Branch) Gulf Riyad Bank E.C.

Agent & Arranger

# Standard Chartered Bank



Staned in London, May 1990

# COMPANY NOTICES

(All companies incorporated in the Republic of South Africa)

DIVIDEND DECLARATION

Notice is hereby given that dividend No. 88 of 30 cents per share has been declared in South Arican currency, as a final dividend in respect of the year ending 30 June, 1990, payable to members registered at the close of business on 6 July, 1990. The register of members will be closed from 7 to 15 July, 1990, inclusive. Dividend warrants will be posted on or about 27 July, 1990.

Livicens warrants will be posted on or about 27 July, 1990. The rate of exchange at which the dividend will be converted into United Kingdom currency for payment by the United Kingdom registrars and transfer agents will be the telegraphic transfer rate of exchange between Johannesburg and London ruling on the first business day after 7 July, 1990 on which foreign currency featings are transacted.

dealings are transacted.

Where applicable, South African non-resident shareholders' tax of 15% will be deducted from the dividend.

The full conditions of payment of this dividend may be inspected at or obtained from the Johannesburg or United Kingdom offices of the company.

The board of directors of this company has decided not to declare a dividend for half year ending  $30\,\mathrm{June},\,1990.$ 

By under of the Board, RAND MINES (MINING & SERVICES) LIMITED, 15th Floor - The Corner House

63 Fox Street Johannesburg 2001 (P O Box 62970, Marshalltown, 2107).

United Kingdom Registrars, Transfer Agents Barclays Registrars Limited 6 Greencost Place London SW1P 1PL

BLYVOORUTZICHT GOLD MINING COMPANY, LIMITED

(Company Registration No. 05/09743/06)

DURBAN ROODEPOORT DEEP, LIMITED

Secretaries in the United Kingdom Viaduct Corporate Services Limited 40 Helborn Viaduct London EC1P 1AJ.

Secretanes, per V M MURTON.

18 June, 1990.



# RECORD PRELIMINARY RESULTS

I am delighted, particularly in the light of current market conditions, to announce record results in our first full year as a public company"

A.J. Cookson Chairman & Chief Executive

yle 3 lst March	1990		
_	€'000		
Turnover	25,650	+	35%
Pre tax profit	2,035	+	105%
Earnings per share	20.7p	+	77%
Dividend	6.00p		-

- Excellent organic growth of core businesses
- Acquisitions performing well
- Positive cash position
- Good order books

Copies of the Annual Report will be available after 29th June 1990 from the Company Secretary, Hadleigh Industries Group PLC, Cromwell Court, 5 Greyfriars Road, Ipswich, Suffolk IPI IXG.

# to £0.74m and board reshuffled

By Clare Pearson

MRS ANNA Vinton and Mr Anthony Hawser, who have together run Reject Shop since they founded it in 1972, are to become joint chairmen, relinquishing day to day manage-ment of the USM-quoted household goods retailer to Mr Geoffrey Frost, currently assistant managing director.

The board changes were announced yesterday along with the company's results for the year to March 18. These showed pre-tax profits down at £743,000 (£1.46m) on sales of £17.38m (£16.26m). Mrs Vinton said this came about in "the most difficult trading environment I have seen in 17 years."

Mrs Vinton and Mr Hawser, previously joint managing directors, succeed Mr Jack Aaronson who is stepping down as non-executive chairman because he had reached retirement age, the company said. Mr Hawser is also to be chief executive. Additionally, Mr John Beer, currently financial controller, is joining the

The pre-tax profit was struck after a turnround in net interest from £73,000 receiv-

able to £121,000 payable.
Mrs Vinton said last year
marked the first-ever fall in Reject Shop's turnover, which on a like-for-like basis, taking out contributions from new shops, was down 10 per cent. Depressed demand for furniture items, in a context of higher UK interest rates and lower housing starts, was behind the decline.

However, she said Reject Shop had moved swiftly during the year to reallocate space previously taken up by heavy furniture to lower-price furniture and an expanded range of giftware and house

On current trading, Mrs Vinton said furniture sales were slightly ahead of last year and trading in other departments was encouraging. "But sales are erratic and difficult to predict," she added.

The purchase of a new outlet

in Cornmarket Street, Oxford in March had demonstrated the opportunities becoming available to pick up prime high street sites. This year the company would be seeking to acquire further such units. A shop in Cardiff was due to open at the end of the year. Reject Shop currently has not gearing of 7 per cent and, reflecting the declining furni-ture content, stocks for resale are at lower levels than last

year.

For 1989-90 earnings per share fell to 4.58p (9.15p). A same-again 2.1p final dividend is proposed, making an unchanged 3.15p for the year.

#### Security Tag in the black with \$0.58m

Security Tag Systems, the US security system maker which is 30 per cent owned by Auto-mated Security Holdings, announced profits of \$576,000 (£337,000) after tax for the

year to March 31 1990, compared with a \$1.91m loss.
Turnover jumped 83 per cent to \$13.58m (\$7.41m) and other income added \$561,691

Mr Tom Buffett, chairman and chief executive of ASH, said the profits justified the long-term emphasis on research and development in a high technology sector. R&D costs this time were \$929,546

# Reject falls | Cost cutting behind Renold's rise to £9.5m showed little increase overall Reductions, that while the UK economy

particularly in merchanting operations, were behind a 32 per cent rise to £9.5m in pretax profits at Renold in the year to the end of March. Mr Peter Frost, chairman, said that the results were in line

with expectations. He added that they represented a further improvement in the group's performance. In the year to end March 1987 profits for this Manchesterbased maker of power transmission products and machinery were down to £100,000 on turnover of £128.4m.

On prospects Mr Frost said

was weakening many of the company's overseas markets were still strong.

The pre-tax figure was struck after a lower interest charge of £1m (2.5m), result-ing from the disposal of sur-plus assets and tighter management of working capital It included exceptional profits of £300.000 (£200,000) being the surplus on the sale of properties, less restructuring costs.

Turnover for the period was up only 2 per cent at £148.3m. against £145.4m, when the taxable profit was £7.2m. Although sales volumes

there was encouraging growth in a number of areas, including chain in West Germany. newly-launched gear products and rotors, said Mr Frost. Some unprofitable factored

products had been discontin-The second half of the year had borne the costs of form-ing a single integrated chain business, which would continue in the present year. Mr Frost said that during this development greater opportunities for organic growth had been identified than at first

had been envisaged.

Manesty Machines, the pharmaceutical equipment business, was sold to Barry Wehmilier for £6.75m cash and was the main factor behind the extraordinary credit of \$2 3m (\$300,000). The company was said to be outside the group's mainstream

Tax :00k £2 3m (£1 5m). Earnings per share came out at 11p (8 Sp) and the directors are recommending a final dividend of 25p making a total for the year of 3.7p, compared

with 2.8p. The shares fell 3p to close

# NEWS DIGEST :

# Hewetson achieves 21% rise

HEWETSON, the USM-quoted manufacturer, supplier and installer of raised access and hardwood floors, was "pleased to be able to report a year of progress" in the year to March 31, "a difficult one".

Steady progress over the past four years continued with taxable profits advancing 21 per cent to £2.21m (£1.82m). Turnover was 38 per cent ahead at £34.08m (£24.73m) and after tax of £789,000 (£641,000), earnings per share worked through at 16.6p (13.54p) undi-luted and 14.19p (12.31p) fully

The final dividend is raised to 2.9p for a total of 4.5p (3.85p)

for the year.
Mr Peter Price, chairman, said that the floors and carpets divisions had performed well in the period. Floors achieved profits of £1.13m (£680,000) pretax on turnover of £22m (£14.92m), while carpets made £954,000 (£597,000) on turnover

of 28.32m (25.4m).

The window company, however, was affected by the downturn in private housebuilding and contributed a lower £120,000 (£544,000) on turnover down at £3.77m (£4.42m).

#### JMD declines to £301,000

JMD Group, the USM-quoted manufacturer of greetings cards and packaging and mer-chandiser of novelty products, experienced a fall from £1.61m to £300,718 in pre-tax profits for the year to December 31. Turnover of £11.87m compared with £12.19m\_

Directors said that in spite of Directors said that in spite of a good continuing performance from Downpace, acquired at the end of 1968, the group had incurred a trading loss in the first four months of the current year — traditionally its weakest trading period.

Steps were being taken to dispose of surplus properties and thought was being given to the sale of the company's 25 per cent holding in Hitech

per cent holding in Hitech Lighting. Talks with a number of parties were taking place on these and other fronts.

They recognised that the future potential of continuing businesses could only be realised if they formed part of a

larger grouping.
Consequently, provided that group borrowings were reduced to a more acceptable level, acquisitions of complimentary businesses would need to be sought.

Fully diluted earnings emerged at 0.32p (L53p) or 0.5p (2.44p) basic. There was a £2.76m (nil) extraordinary loss.

#### Cost control boosts Polar Electronics

Polar Electronics, the Bedfordshire-based electronic compo-nents distributor, saw interim taxable profits rise 13 per cent, from £533,000 to £601,000. The company said the improvement was due to keeping a tight control over gross margins and

Demand was not expected to improve significantly in the second half but, with increased product and customer coverage, a satisfactory result was



expected. In May, part of Hawke Components was

Turnover for the six months to March 31 was £6.76m (£7.01m). Earnings per share were 4.9p (5.6p) and an initial interim dividend of 2p is being peid. The company joined the USM in July 1989.

#### Syltone progresses with gain to £2.4m

Syltone, the transport engisystoms, the transport angi-neering services group, reported a 18 per cent rise to \$2.4im in pre-tax profits for the year to March 31.

The increase from £2.09m

was struck on turnover up was struct on turnover up from £29.74m to £32.61m. Basic earnings rose to 19.44p (16.3p) per share and fully diluted to 17.54p (14.88p). The proposed final dividend is 6p (4.75p adjusted after last July's onefor one scrip issue) for a total of Sp (6.75p adjusted). Mr Tony Clegg, chairman,

said that the results reinforced Syltone's policy of concentrat-ing its activities within the international transportation industry. He added that the

British truck market was likely to remain depressed next year, but the particular applications, in which the company specialises, possess above-average growth prospects.

# Enlarged Hadleigh surges to £2.04m

Profits of Hadleigh Industries. a storage tank and trailer manufacturer, accelerated from 1993,000 to 12.04m pre-tax for the year to end-March.

Sales of the group, enlarged via the £3.58m acquisition in December of Lynton, a speci-alised lightweight trailers manufacturer, expanded from £19.02m to £25.65m.

Earnings worked through at 20.7p (11.7p) and a final dividend of 4p makes a 6p total. The group's shares were placed on the USM a year ago at 160p each. They closed yesterday 5p higher at 196p.

#### Treatt falls to £502,000

First-half profits of Treatt, a USM-quoted supplier, blender and distiller of essential oils and aromatic chemicals, fell from £774,000 to £502,000 pre-The reduction stemmed from

a significant decline in first quarter sales due mainly to lower prices and sales volume in orange oil. Sales for the six months to end-March fell from £6.2m to £5.32m.

Earnings emerged at 3.46p (5.59p) per 10p share and the interim dividend is a sameagain 1p.

#### £1m downturn at Eldridge Pope

Eldridge Pope, the Dorset-based brewer, experienced a 51m fall to 551,000 in interim pre-tax profits and forecast that the full year outcome would be "substantially below" last year's £3.06m. The company had warned of

the downturn two weeks ago. It said beer volumes had been hit by the squeeze on consumer spending and margins had been reduced by heavy competitive discounting by its rivals. Sustained high interest rates had also undermined the property market, holding back many of its planned sales so that borrowings had remained higher than expected. Action was being taken to restore profitability and to

reduce borrowings, the direc tors said. Turnover for the six months

to March 31 was £700,000 higher at £20,27m but trading profit fell from £2.2m to £1.8m, and earnings per share dropped from 3.3p to 0.2p. interest payments, mainly associated with beavy invest-

ment in the redevelopment of

the Highcliff hotel in Bourne-

mouth, amounted to £1.15m (£663.000). The interim dividend is

#### Melville Street net assets increase 13%

unchanged at 1.75p.

Melville Street Investments. the development capital company, reported a net asset value of 160p at April 30, a rise of 13 per cent over 141p a year ago. Net assets were up from \$26.32m to \$29.86m.

Net revenue amounted to £895,000 (£640,000) and earnings increased to 4.5p (3.4p) per share. The final dividend is raised to a recommended 3p (2.5p) for a total of 4p (3p) for

The company said that Salim was invested in new invest-ments, an advance of 15 per cent over last time, and £1.5m was provided in support of existing investments. Mr George Philip, chairman, said that last year's change of policy, putting greater emphisis on providing finance for management buy-outs and the development of existing companies, had so far proved suc-

#### Somic profits halved in second half

Somic, the Preston-based kraft paper spinner and weaver, reported profits halved in the second half to leave the fullyear result 29 per cent down at £206,000, against £291,000. At the interim stage profits were ahead at £103,000, compared with £90,000.

The company said that the main problems in the short term were high interest rates and high inflation. It added that the level of outstanding orders had improved.

Turnover in the year to the end of March was £3.9m (£3.46m). After tax of £71,000 (£95,000), earnings per share were 6.75p (9.84p). The pro-posed final is cut to 1.5p (2.25p) for a total of 2.5p (3.25p).

downward pressure on mer-

# COMPANY NEWS IN BRIEF

BCE HOLDINGS has disposed of certain machinery and equipment to SA Sainc of Belgium for £1.52m following cas-sation of snooker, billiard and pool ball manufacturing at Congleton, Cheshire. BCE retains the freehold premises at Congleton and intends to seek a purchaser for that prop-erty in due course. The com-pany has also appointed a liq-uidator to its loss-making Canadian subsidiary BCE (Dis-tributors) tributors).

CAMPBELL & ARMSTHONG has agreed to acquire LT Switchgear, a manufacturer, assembler and supplier of elec-

trical switchgear. Consider-ation consists of an initial 2500,000 in cash and shares. In addition, Campbell's has pro-vided LT with funds totalling £335,000 to purchase the long leasehold on its premises and adjacent premises at a peppercorn rent.

CASKET's rights issue of 37.74m ordinary shares has been taken up as to 20.52m shares (54.38 per cent). CI GROUP shareholders were told at the annual meeting that the first quarter's results were ahead of the comparable

CRYSTALATE - The offers by TT Group for the company's ordinary and preference shares together with the 8.25 per cent loan stock have been extended until June 29. Together with shares already owned or acquired since the offers, the aggregate of acceptance totals 4.02m ordinary (12.73 per cent), 9,784 preference shares (6.52 per cent) and £213,083 nominal (2.28 per cent) of the loan

DEWHIRST GROUP - Mr Anthony Vice, chairman, told the annual meeting that fol-lowing a continuation of a

gins, profits for the current half year would fall below those of the comparable period. DOWIX GROUP has acquired 75 per cent of Hoybond, based in Wimbledon, for £415,000. Lockhead Corporation which had a 25 per cent stake in Hoy-bond is to retrain a 15 per cent interest and have a seat on the board of the renamed com-pany. Dowty Hoybond. The remaining 10 per cent share will be kept by Mr David Jack-son, the former managing director, who will be responsi-ble for the operations of Dowty Hoybond.

Bellast

London

London

London

New York

# HEWETSON

Turnover up 38% to £34 million

Profits up 21.2% to £2.2 million Earnings per share up 22.6% to 16.60 pence

### **Extract from the Statement by the** Chairman, Peter H Price

Hewetson Floors has succeeded in increasing its share of the raised access floor market. Bennett Windows has increased its marketing effort creating an enlarged customer base. Contract Flooring Sales has made good progress, consistently increasing its turnover and profits. Construction Material Services, processors and distributors of pulverised fuel ash, was acquired in April 1990.

Orders in all subsidiaries in the early months of the current year show a healthy increase. First indications give cause for confidence in yet further growth and progress in all parts of the group.

The annual report for the year ended 31 March 1990 will be available after 29 June from the Secretary, Hewetson plc, Marfleet, Hull HU9 55G.

#### BRADSTOCK GROUP PLC Summary of unaudited half year results to 31st March 1990

	Half year to 31 March 1990 E'000	Half year to 31 March 1989 \$1888	increase on 1985
Turnover	9,814	7,718	+ 27%
Profit before tax	4,015	3,011	+ 33%
Earnings per sha	re 8.5p	7.2p	+18%
Dividend per sha	re 2.5p	2.0p	+ 25%

### PRINCIPAL TRADING SUBSIDARIES DIRECT INSURANCE BROKERS

dstock Blant & Thompson Ltd Lloyds Brokers Bradstock Blunt (Northern) Ltd. Bradstock Blunt (Scotland) Ltd Glosgow

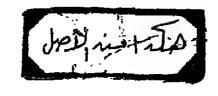
Bradstock Blunt (N.L.) Ltd Professional Indemnity Insurance Brokers Ltd Bradstock Blant Ltd Bradstock Financial Services Md independent Financial Advisors

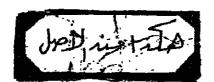
REINSURANCE BROKERS

Bradstock Blust & Crawley Ltd Lloyds Brokers Bradstock Carondene Ltd Braostock Barden & Watson Ltd

Bradstock Incorporated

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# **TECHNOLOGY**

ames Sherwood, president of Sea Containers, the British-based shipping and transportation group, takes on 150 years of history when his revolutionary for the fastest crossing of the

Atlantic by a commercial ship.
The riband, otherwise known as the Hales Trophy, was first awarded in 1838, when the British steamer Great Western - the first to offer a regular transatlantic service - made the crossing in 12 days and six hours at an average speed of 10.2 knots, three days ahead of a rival ship, the Sirius.

Since then, competition between the US and half a dozen European countries has made the riband the most coveted trophy in the maritime world, with the possible excep-tion of yachting's America's Cup. The record is held by the liner United States, which com-pleted the crossing in three days, 10 hours and 40 minutes in 1952, at an average speed of 35.59 knots, overturning exactly 100 years of European domination of the route.

The US victory caused constantain in Britain, because it dispossessed the great line.

it dispossessed the great liner Queen Mary, flagship of the British fleet, which had held the record since 1938 after crossing in three days, 20 hours and 42 minutes at an average speed of 31.09 knots.

There have been several unofficial attempts on the Blue Rihand since 1952, most notably by Richard Branson, the British entrepreneur. However, like other challengers, Branson used a powerboat rather than a commercial ship, and also refu-elled in mid-Atlantic

francis Street for

But Hoverspeed Great Britain breaks new ground in a number of other ways - it is the largest catamaran ever built, the first catamaran to challenge for the trophy, and the first contender designed and built in Australia. It may also be the first ship of its kind where the designer admits that ignorance played a large part

in his succe Hoverspeed Great Britain will be skippered across the Atlantic by its builder, Bob Clifford, managing director of International Catamarans of Hobart, Tasmania. But Clifford will probably be less nervous than Philip Hercus, executive chairman of International Cat-

Kevin Brown on the Australian-built catamaran set to win the Blue Riband of the Atlantic

# to the liners



The Hoverspeed Great Britain sizes to sail from New York to the UK in just over three days

averaging 40 knots across the Atlantic, which means it could cut eight hours or so off the US record. "There is no question that the boat can beat the record. The Roverspeed Great Britain will sail on Tuesday come hell or high water, and that means it may be hit by by adverse weather, but there is no doubt that it is capable of crossing in less than three days and ten hours."

Hercus admits that he was

unaware, when he started signing catamarans in 1977, of work which had been done by naval architects in the northern hemisphere to make them faster and more stable. Swedish designers in particu-lar were then experimenting with asymmetrical hulls and at vessels which achieved higher speeds by planing above water.

Speeds by planing above water. Sut the concept of asymmetrical hulls turned out to increase resistance, rather than reduce it, while planing increases instability and would not be suitable for large passenger vessels, he says. The design I came up with was an accident in the sense that I amaran Design, who will follow events from Sydney.

Hercus says Hoverspeed
Great Britain is capable of northern hemisphere, and I

was therefore not misled by it," Hercus says. "It was just good fortune that I was born and brought up in the Antipo-des, and was unaware of what was going on in catamaran design elsewhere." The first Hercus catamaran,

built in 1977, was a convenbuilt in 1977, was a conven-tional boat with two hulls divided by a central platform. However, the long, narrow hulls were had a sharper than usual at the bow, and had a deep V shape which tended to cut through waves instead of riding over them. That was fine for a leisure boat, but was not sufficiently stable in rough seas for a neasengencerrying seas for a passenger-carrying

The answer was to add a third hull, between the outer hulls, which normally sits clear of the water, but acts as a stabiliser during rough seas. Hercus and Clifford developed that concept over several years, until they were able to produce a 30-metre catamaran called 2001 in 1988, which attracted attention during exhibition trips at the America's Cup defence in Fremantle, Western Australia, in 1966. International Catemarans subsequently built a second

30-metre ship capable of carrying 200 passengers for use at the Hamilton Island tourist resort in Queensland, followed by two 37-metre ships for owners in Queensland and New Zealand, But the business really began to take off with an order for two 74-metre calausrans, costing A\$20m (£9m) each, for Sea Containers, which subsequently ordered three more, and may eventu-

ally take as many as 10. Hoverspeed Great Britain, which is capable of carrying 450 passengers and 84 cars, is the biggest catamaran ever built and the first to be capable of carrying cars as well as pas-sengers. But Hercus says he is already working on a 115-metre vessel which will carry 900 pas-sengers, 300 cars and 10

One spin-off of the radical hull design is that the structure provides greater stability than is required, even by new regulations introduced in the wake of the Herald of Free Enterprise disaster in 1987, when nearly 200 people lost when nearly 200 people lost their lives. The catamaran hull structure is almost impossible to sink or capsize.

The design also allows noise

and vibration to be reduced by placing the engines in the side hulls, away from passengers, who will be accommodated on the platform above the central hull. Each side hull houses two Ruston medium-speed diesel engines producing 3600 kW at 750 rpm.

This is the first time that medium-speed diesels have

medium-speed diesels have been fitted in a high-speed craft, avoiding the need for gearboxes to connect the engines to four Riva Calzoni water jets which are used for propulsion. The use of water jets rather than propellers avoids the problems of cavita-tion, or pitting, which affects traditional propellers at high speeds, particularly above 40

knots.
The cavitation problem can be solved using propellers, but only as the cost of reducing efficiency to well below the lev-els achieved by water jets. One water jet on each side of the vessel is fitted with steering vessel is fitted with steering and reversing controls used for harbour manoeuvring. The two outer water jets are used to push the ship up to its top speed of 42 knots. Normal cruising speed is 35 knots.

After the Blue Riband challance Hoversneed Great

lenge, Hoverspeed Great Britain will go into service on Sea Containers' fast-growing Portsmouth to Cherbourg route, halving the existing journey time to just over two hours and helping to re-establish the company's position in the UK/Continent ferry market, which it recently vacated by selling its Sealink ferry divi-sion to a Scandinavian compet-

Other ferry companies are likely to be interested too: the catamarana can make twice as many crossings per day as con-ventional monobuli ferries, cost less than half the price,

and require only around a quarter of the crew.

But Hercus believes the farry industry is just "scratching the surface" of the possible applications for the design. Smaller versions are already in use as a possible application are already in use as a possible application are already in use as a possible application are already in use as a possible application are already in use as a possible application are already and account are already and account are already and account are already and account are already are already and account are already and account are already are already are already and account are already and account are already are alr naval patrol vessels and rescue boats, and there are hopes that the US cruise industry may be

the US cruise industry may be interested in developing a version for fast one-day cruising. If all goes well, Hoverspeed Great Britain will arrive at Portsmouth on Friday, with the Blue Riband in the bag. It will be a great victory for Sherwood, and the record will show that the Riband once again flies from a British ship. But the biggest celebrations will be in Australia, where both builders and designers will be hoping they will prove to be the real winners.

Hungary on biotech road to the West

Building on traditional fermentation techniques, Hungary's pharmacentical companies which play an important role in the country's industrial sec-tor — have promoted the expansion of thriving biotech-

The most advanced Hungarian blotech-based companies, having built a reputation for supplying low-cost but high-quality antibiotics in bulk to the West, are now looking to expand into hi-tech areas, such

as genetic engineering.

Hungarian biotech ventures
could ultimately rival their
more commercially advanced western European competi-tors, but this depends largely on their ability to attract western venture capital, corporate funding and, more signifi-cantly, access to western dis-tribution and marketing

experities.

More than 3,000 joint venmore than a double four ven-tures have already been con-ducted between Hungarian and foreign companies. And since the re-opening of the Hungar-ian stock market the possibil-ity of foreign investor funding has increased markedly.

has increased markedly.

Hungary's leading pharmaceutical companies, Gedeon
Richter, Chinoin, Biogal, and
Reanal, date back to the early
post-war years. They have
established biotechnology
departments, supported by a long tradition of academic

The pharmaceutical industry produces goods worth more than \$700m, representing 2 per cent of Hungary's gross domestic product. Hard cur-rency exports of biotechnology

rency exports of biotechnology and pharmaceutical products from Hungary are growing: Biochin, a wholly-owned substitute of Chinoin formed in early 1989, exports 70 per cent of its product; sales totalled 89m in its first year.

In 1988, Chinoin's Parkinson's disease and Alzheimer's drug Eldepryl, the first original central European medicine to be registered in the US, was projected to achieve annual profits of more than \$5m. The Hungarian pharmaceutical industry as a whole recorded exports of \$105m for the first half of 1988, representing a 24 per cent increase on the first half of 1988.

Gedeon Richter's exports in

1988 reached \$172m, up 14 per cent on the previous year. Biogal achieved exports of \$24.5m in 1987 and a joint venture with Ciba-Geigy, the Swiss pharmaceutical company, was estimated to bring in \$3m.

The growth among Hungarian blotech and pharmaceutical companies reflects an expansion in facilities funded by World Bank loans of Forint 5.6bn (£51m) made in 1985, and a drive to maximise hard currency income in the present transitional phase of the Hungarian economy.

Hungary's biotech specialists are constantly on the move between centres of biotech excellence worldwide: Andras Vajda, deputy manag-ing director of Vepex, has spent two years in the same role at Biotechnology Interna-

Hungarian biotech ventures could ultimately rival their more commercially advanced western competitors '

tional in Cambridge in the UK, of which it owns 50 per cent. Biochin's Director of Pro-duction, Laszlo Kegl, said: "We are trying to send all our young experts to the West for up to three years. At the moment, four of our senior research staff are abroad: one in the UK, one in Sweden, and two in the US," This ensures the maintenance of the oursility the maintenance of the quality of Hungarian blotech products in view of the need for validation on a bi-annual basis by the US Federal Drug Adminis-tration and the UK Committee

tration and the UK Committee on Safety of Medicines.

While the productive ability of Hungarian biotech is already evident, Hungarian biotech businesses rarely compete against each other. Different products are produced by different companies, with relatively little product overlap.

Research and developmment is already bearing fruit, both in the more traditional chemical and newer biotech and

cal and newer biotech and genetic engineering fields. For example, in early 1988, Bio-gal's Hevizos cintment passed chinical trials as an effective

and is now marketed and distributed in the US by International Diagnostics of Florid.

Vepex - managed by chemi-cal engineer and economist Susanne Olah - has produced synthetic human albumin in a joint-venture with Skandigen of Sweden, a biotech achievement not yet matched in the

Nevertheless, biotechnology in Hungary lacks two impor-tant ingredients: first, the industry has no western-style distribution and marketing network with direct contact through a doctor-targeted sales force, having depended for the last 40 years on Medimpex, the Hungarian Government's central trading agency

ment's central trading agency for pharmaceuticals.
Although other companies have sales and marketing agreements for individual products in certain countries, Chinoin has been exceptional in establishing its own trading subsidiary, and in May 1990 appointed Forum Chemicals as its exclusive agent in the UK and the Irish Republic. The Hungarian pharmaceutical industry is now building up its international marketing expertise, and acknowledges its need for western help.

Second, Hungarian blotech lacks liquidity, due to a Hun-garian tendency to allow inter-company debts to esca-late, exacerbated by a record of slow payments by the Soviet Union – one of the industry's largest customers - although this seems to be improving. These businesses above all

need western joint-venture partners, a process simplified and encouraged by the present drive for privatisation. Most are already limited companies but they are entirely Govern

ment owned.

The opening of the Budapest stock market and a series of Government concessions have put Hungarian biotech in a better position for exploiting its developments than ever before. With early offerings on the stock market up to 20 times oversubscribed, Hungarian blotechnology, combined with western funding, marketing and technical expertise, could produce a valuable and profitable tonic.

Stephanie Jones Erling Refsum

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#### 1992 REDRAWING THE MAP OF EUROPE

The Financial Times proposes to publish this survey on

2 JULY 1990

For a full editorial synopsis and advertisement details, please contact:

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**FINANCIAL TIMES** 

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# COMPANY NOTICES

THE "SHELL" TRANSPORT AND TRADING COMPANY, p.Lc.

Notice is hereby given that a bal-ance of the Register will be struck on Wednesday, 4th July, 1990 for the preparation of the half-yearly dividend payable on the SECOND PREFERENCE SHARES for the six months ending 31st July, 1990. The dividend will be paid on 1st August, 1990.

For Transferres to receive this dividend, their transfers must be lodged with the Company's Registrar, Lloyds Bank Pic, Registrar's Department. Goring-by-Sea, Worthing, Susser, not later than 3,00 p.m. on Wednesday, 4th July 1990.

By Order of the Board J.A. Cunliffe Company Secretary Shell Centre London SEL 7NA

# WARDLEY TRUST AMALGAMATIONS

The Wardley British Winners and Wardley Small Companies Trusts were amalgamated with the Wardley UK Trust with effect from 16th May 1990. The amalgamated trust will be known as the Wardley UK Growth Trust. For every unit held in the Wardley British Winners or Wardley Small Companies Trusts unitholders have been allocated 0.150 or 0.696 units respectively in Wardley UK Growth Trust. New unit certificates were issued to unitholders in the amalgamated trust on 25th May 1990.

The Wardley Technology Trust was amalgamated with the Wardley International Growth Trust with effect from 1st June 1990. Unitholders of Wardley Technology Trust will receive 0.433 units in Wardley International Growth Trust for every Wardley Technology Trust unit held. New unit certificates will be issued to former unitholders of Wardley Technology Trust within 21 days of 1st June

For further information contact Client Services on 0800

Issued by Wardley Unit Trust Managers Limited, 3 Harbour Exchang Square, London E14 9GJ. A member of IMRO, Lauro and the UTA.

NORTH WEST ENGLAND FINANCIAL & PROFESSIONAL SERVICES

The Financial Times proposes to publish this survey

16th July 1990

Brian Heron 061-834 9381 Telex:666831 Fax: 061 832 9248

Financial Times Alexandra Buildings Queen Street Manchester M2

FINANCIALTIMES

# Commodity failure central to African crisis

AFRICAN policy makers must use commodity production and trade as "a motor for expansion," argues a United Nations report published yesterday. The report, Africa's Com-

modity Problems: Towards a Solution, commissioned by Mr Perez de Cuellar, the United Nations Secretary-General, says: "The failure in the commodity sector has been central to the economic crisis facing

Mr Malcolm Fraser, the for-mer Australian prime minister, chaired the group of experts who compiled the report.

The future performance of the sector will be critical to the success of Africa's economic recovery efforts, the report says. It points out that commodities account for between 85 and 95 per cent of the conti-nent's total export earnings.

"Real growth opportunities exist in primary commodity production," the group believes. But the report stresses that if this is to be achieved, African governments must introduce further reforms, while industrialised countries should provide additional financial resources, technical assistance, allow more open markets for African exports of primary products and manufactured primary products, and increase efforts to negotiate fair commodity

The report notes that excluding fuel exports, commodities earned \$18bn for Africa in international markets in 1988 - 26 per cent lower in real terms than in 1980, and 35 per cent lower than in 1970. By 1988 Africa's market shares for cocoa, coffee, cotton

and copper had fallen by between 20 and 40 per cent of the 1970 market share, the report calculates. The report acknowledges

that adverse external factors are part of the reason for this poor performance, but adds: "Other developing countries in other regions have had to face similar market problems and they have progressed while Africa has fallen behind." Other reasons for the poor

performance, says the report, include "ill-advised government policies, a serious lack of

10

Africa's exports Shares in the World market (%)

Copper ore

Spices copper

1970 1987 a: UNCTAD, Commodity Yearbook 1980 Note: Commodities which anted a shere of more than 1895 in 1870

knowledge of international markets, a lack of investment in transport and other infrastructure . . and an economic policy framework which offers overseas investors few incen-

Describing food prospects for Africa as "appalling," the

report calculates that, assumreport calculates that, assuming existing food production and population growth rates are maintained, "consumption could exceed production in the ten years to the year 2000 by about 50m tons." Africa can neither pay for, nor properly distribute, food needs on this

scale, warns the report.

It also warns of "major envi-ronmental deterioration," noting that the desert is encroaching on agricultural land at a rate of 6m to 7m hectares (about twice the size of Belgium) each year. Of the almost 00m hectares of forest, between 3m and 4m are being cleared annually because of cultivation practices or fuel

The report accepts that "sig-nificant reforms" have been introduced by African govern-ments in recent years. But it We believe that in many African countries the balance remains too far towards centralised decision ocesses . . especially in the ce of increasing competition in the world market place, inef-ficiencies that make undertak-

can no longer be afforded." The report recommends a commodity strategy with the objectives of increasing food security, diversification, increased processing, and greater intra-African trade.

At the international level, the report says that efforts to establish or re-establish international commodity agreements should be increased. Industrialised countries should move towards eliminating all quantitative limits on commodity imports.

Uruguay Round of trade talks to enlarge the European Community quotas on Common Agricultural Policy items, and the elimination of tariff escalation clauses affecting. African mmodity exports. The Multifibre Arrangement, which restricts textile imports,

It urges action in the current

should be discontinued or phased out after the present arrangement expires next year, says the report.

Africa's Commodity Prob-lems: Towards a Solidion, UNC-TAD Secretariot, Task Force on UN-PAAERD, United Nations,

# Oil from Soviet fields 'within next seven years'

By Karen Fossii, recently in Murmansk

PRODUCTION of oil and gas from Soviet offshore fields in the Barents and Kara seas could begin within the next seven years, according to Mr general of the Murmansk-based Saviet Annie Jevguenij Resheinjak, director sed Soviet Arctic Seas Oil end Gas Exploration Com-

The Schtokmanovskoye field in the Barents Sea is believed to be the world's largest gas field. The field was discovered in 1968 some 600 kilometres from the Kola peninsula and became known outside the Soviet Union last autumn. A Soviet map of the two regions indicates other oil and

gas discoveries nearby.

Mr Reshetnjak refused to estimate the reserves potential of the discoveries, as analysis on well and seismic data is still underway. More than 10 exploration wells have been drilled since the early 1980s.

The data on oil is still preliminary but we are looking with optimism towards devel oping oil and gas in the Barents and Kara Seas to start production within five to seven years," Mr Reshetnjak said. It has been suggested that the Schtokmanovskoye

field could be developed as a liquified natural gas (LNG) project.
Although Schtokmanovskoye is a great distance from the nearest coastline, an LNG project could help ease the ecomic strain on such a project

but a major gas contract would have to be secured. Metal demand

# rise expected

JAPAN'S demand for copper, zinc and lead is expected to rise to a record level during the fiscal year ending March 1991, the Ministry of Interna-tional Trade and Industry (MIT) and Payton property (MITI) said, Reuter reports

from Tokyo.

Demand for copper is projected to climb to about 1.50m tonnes during the fiscal year 1990, up from a record 1.57m a year earlier, a MITI official said. Strong growth in the cable and brass industries is seen boosting demand, the port said.

Demand for zinc in the fiscal year 1990 will rise to a record 827,000 tonnes, up from 797,000 a year sariler, on the back of strong expansion in the galvanized steel sector. The previous record for sine demand was 798,000 tonnes in esmand was 798,600 tonnes in 1987. The MITI report pre-dicted that strong demand for zinc would lead to a shortage of the metal in Japan this fis-cal year, and estimated zinc supplies at \$18,000 tonnes.

# Grain support prices increased in India

By K.K. Sharma in New Delhi

SHARP price rises in support prices of summer crops such as rice, millet, maize and other grains by the Indian govern-ment have made good its commitment to give farmers a bet-

Prices at which government agencies will buy these crops when they are harvested in autumn have been raised by Rs30 (\$1.74) a quintal. The new procurement prices will inevitably raise the cost of building up the country's food stocks and the price at which grain is sold through the public distribution system.

The announcement of higher prices has been followed by the release of the government's draft agriculture policy which is heavily tilted in favour of the farmer, and bears the stamp of the thinking of the powerful agriculture lobby in the government led by Mr Devi Lal, Deputy Prime Minister and Minister for Agriculture. The higher grain procurement prices and the agricul-ture policy reflect the commitment of the government to give preferential treatment to the

to agriculture in the country's development schemes This was reiterated yesterday by Mr V.P. Singh, India's Prime Minister, when he spoke at the opening session of the National Development Council, the country's highest economic-decision-making body, which met to consider the govern-

rural population and priority

ment's paper on the approach to the Eighth Five Year Plan for the period 1990-95. Mr. Shigh told the members of the piece. cll that rapid growth and diversification of agriculture was essential to improve the russi areas and that agricultural growth and moderalsation would increase demand for industrial goods. The agricul-ture policy calls for a major restructuring of the agrand-tural front". The policy in favour of farmers defends the present system of subside agricultural inputs and says that price incentives to farmers are essential for efficiency in agriculture. Despite the free sure to reduce government expenditure and the heavy burden of subsidies that hashed a layer motore deficite the second large budget deficits, the government has made it clear that farmers will continue to he subsidised and that they will get higher prices for their peo-duce. The policy has also simu-lated the revision of the method of computing the cent of production in farming to include the farmers' labour. Since this will be the basis for fixing grain procurement prices, a rise in food prices and urban to rural areas are inevitable. The draft policy has set a growth rate of 6 per cent for agricultural production by dou-bling the Seventh Five Year Plan (1965-90) outlay on agriculture from 21 per cent to 40 per cent in subsequent plans.

# Record tea figure expected By K.K. Sharma in New Delhi

INDIA expects to produce 730m kg of tea in 1990-91 and export about 230m kg, worth Rs10bn, according to Mr Arun Nehru,

Minister of Commerce.

This compares with 202.51m kg, worth Rs9.05bn in 1989-90 when production is expected to have been substantially less. The highest production in the

country was in 1988-89 when 702m kg was reached. Mr Nehru suggested closer monitoring of tea production and marketing in the country,

ter to visit tea-growing areas.
India's exportable surplus is not growing as fast as the gov-ernment hopes because domes-tic demand is increasing by 19 to 15 per cent a year, and Mr Nebru has asked for a plan to increase production Plans made so far include bringing giving additional areas over to tea production in non-tea growing states, and the starting of tea plantations in denuded forest land.

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# Cuban sugar production up

Chicago

analysts yesterday by announ-cing a higher than expected 1989-1990 sugar production fig-ure of just over 8m tonnes after a harvest marked by had weather and fechnical prob-lems. Reuter reports from

Granma, the official Communist Party newspaper, cribed the 8.04m tonne crop as a "real labour schievement by our workers." Sugar is the traditional mainstay of the Cuban economy and the island is the world's biggest exporter.

exceeded a target set earlier in the sesson of 7.7m tonnes but was below the 8.1m tonne crop achieved in 1988-1989, the fourth biggest in the history of the confirm. Since harvesting began last November, Cuban officials had painted a consistently gloomy patitude, reporting frequent dis-ruptions caused by unsensonal heavy rains and mechanical breakdowns at the country's more than 150 sugar mills. The harvest should have ended in

April but continued into June.

# Sweet position at the top of the trading ladder

George Graham looks at the expansion plans of France's leading commodity dealer

ucres et Denrées, the leading French commodity trader, has always had a reputation for pulling off the big deal. It was Maurice Varsano, the group's founder, who built Sucden's dominant position in the world sugar market on a deal with Fidel Castro, just after the Cuban revolu-

In 1988, it was the turn of his son Serge, who is now chair-man of the group. When Cuba's sugar cane crop didn't come up to expectations, he signed a swap deal to supply L8m tonnes of sugar on Cuba's behalf to the Soviet Union to till the normal Cuban quota. Six months later, Sucden shook the cocoa market with a long term deal to buy 400,000 tonnes of from the Cote d'I-voire, the world's largest pro-ducer, which had been boycot-ting the market in an effort to force prices up.

The deal triggered a battle

that lasted a year with rival traders Philipp Brothers, end-ing up with each side pre-fin-ancing 280,000 tonnes to tie us the bulk of the Ivocian crop. Late last year, Marimper, Succen's newly-acquired West German oil trading subsidiary, signed an \$800m deal to buy 10 per cent of Iran's oil output.

But although Succen's culture remains formly worked in ture remains firmly rooted in trading - it is world leader in the sugar trade and a leading player in cocos and rice. sides its new oil interests the group has begun to develop its industrial activities, aiming

OIL prices fell in London and Nev

is no confirmation that key Opec producers are cutting output to

reduce the glut," said one New York trader. Dr Subroto, Opec's

organisation had cut production by only about 400,000 barrels per

lay, rather than 1.445m pledged In the agreement reached on May 3. Copper prices firmed on the

LME in the afternoon and were

talking Ok Tedi, but there's no

London Markets

Of produces (NWE prompt delivery per tomic CIP)

SPOT MARKETS

Dubal Brent Stand W.T.I. (1 pm cst)

Gas Olf Heavy Fuel Oll Hephins Petroleum Argus Esti

climbing by midsession in New York on talk of a strike at Ok Ted

secretary general, said the

York as Opec production continued at a high level. "Markets remain

for diversification and downstream integration.

Industrial businesses, including Barry, the world's leading cocoa processor, and Vital Sogéviandes, France's number two meat processor, accounted for FFr6.65bn (£692.8m) out of Sucden's total 1989 sales, up 64 per cent from the previous ear to FFr53.9bn.

Helped by a FF7103m capital gain on the sale of its 15 per cent stake in Davigel, a frozen foods company, to Nestlé, Sucden also more than tripled its net profits last year to FFr256.9m.

The biggest business seg-ment is Sucden Kerry, with FFr28.3bn of turnover last year, representing 9m tonnes of sugar and 8.4m tonnes of oil. Sucden's partner is the Kuck group of Hong Kong, which owns 30 per cent of Sucden Kerry. The other main branch is Merkuria Sucden, 29,20 per cent controlled, with FFr15.9hn of burnered last year trading of turnover last year trading other agricultural and energy commodities.

This year, the contribution of the industrial side should increase, as Sucden has acquired a controlling stake in lansa, Chile's monopoly sugar producer, with sales of \$270m: last year, which is expected to he a last water the development be a base for the development of other food products in Chile, such as fruit juices or fish, as well as a model for similar stakes in other Latin American countries. Sucden has taken a trial 5 per cent stake in a Mexi-can sugar refiner, and has

> analyst. "We touched off a lot of fund buying when we pushed above 112.50 and then more when we breached 115 (cents a lb for

July)." New York orange juice

decline on Friday, when news

merged that three Brazilian sors had offered a limiter

futures were limit down by midsession following the sharp

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mbould as an o ambitions to take part in the eventual privatisation of Mexico's sugar industry. Mr Varsano says: prices paid for sugar refiners in Europe are too high for us, and in addition, if I had bought Tirlemont, say, I don't know how our other clients would have taken it. Iansa bothers

no-one, it is neither an importer nor an exporter." Sucden has already arrange for French experts to visit Chile to help with a disease Chile to help with a disease afflicting the sugar beet fields in the north of the country. In Mexico, the sugar industry's problems are more political, because for social reasons the government is maintaining

high came prices to help the farmer, and low sugar prices to help the consumer.

The company believes that it is well placed by its contacts in these countries to take advantage of opportunities, but also that its trading skills can be advantaged by the second secon a bonus to many agricultural businesses of this kind. "Whenever the value added

is low in comparison to the risks of price finctuation, the trader's input can be very interesting," comments Mr Jacques Bacheller, Sucden's managing director:

Sucden still remains firmly committed to commodity trad-ing, and still believes in big deals."I believe in long term s. I believe in long term contracts with producer countries, with a guaranteed minimum price. That way they

don't lose money, and they can have a longer term industrial

strategy," says Mr Varsano. Sucden recently arranged a 100,000-tonnes-a-year sugar deal between French sugar beet producers and refiners at a fixed price of FFr2,500 a tonne for the next three years. It has also arranged a similar sugar deal for the Philippines. Mr Varsano says it may be more difficult to make this

kind of arrangement with cocoa producer countries, because they have been unset-tled by the market's fluctuations over the last three years. Last year's struggle between Sucden and Phibro over the Cote d'Ivoire's cocoa did not help matters. Mr Varsano explains: "At the

beginning, Phibro took it very badly that a small French trader should take 400,000 tonnes. They thought we were going to eliminate them from the cocoa market, which was an error, because it was a one-off deal." Now, they are owed \$200m by the Cote d'Ivoire following the price fall after the prefinan-cing for their 280,000 tonnes; we took the same amount, but

are owed nothing, he said.
"They have 350,000 tonnes of stocks on their hands; we have no; stocks, we're clean," he "The hig deals are not very profitable. In gross they can be important, but the percentage is small — our clients can calculate too - and the risks are big," Mr Varsano adds. Nevertheless, he believes that the trader cannot turn



away from his long-term customer relationships, and must try to propose imaginative solutions when a country has The ethic of the trader is

that you cannot dissociate yourself from the problems of a country. We respect bans and embargoes, but otherwise, we are always ready to trade," he Mr Varsano is now studying

whether to open up the capital of the group holding company, Compagnie Financière Sucres et Deurées, though he rules out any possibility not at stock exchange listing. All house several mot reconcile the disclosure requirements of a stock

exchange with the speed of information and the need for secrecy of our businesses. "But finding friendly partners is both envisageable desirable," he concludes.

# WORLD COMMODITIES PRICES

980	Previous	. High/Low	AM Official	Kerb close	Open Interest
.7% partly	& per tonne)			Total daily to	mover 19,715 lok
76-8 95-6	1881-4 1896-7	1874/1671 1586/1580	1570-1 1590-1	1800-7	45,125 loss
A (E perto	HEITER			Total daily tu	rnover 27,545 lob
22-4 82-3	1518-20 1471-2	1920/1518 1486/1457	1512-3 1470-1	1478-0	82,372 lotu
nne)			-	Total daily s	urnover 2,083 lob
0.5-1.0 5-0	483-3.5 480-9.75	491/486 469/481	465-8.5 462.5-8.0	467-6	10,054 lots
onna)				Total daily 8	urnover 2,002 low
50-700 00-25	8550-75 8580-600	8660/8625 8650/9800	8025-50 8020-50	8600-85	BLASH SOM
(a)				Total daily t	urnover 2,132 los
95-96 06-10	8155-86 8270-5	18150/8145 8330/6250	6150-5 6260-70	6930-40	6,306 lots
ligh Grade	(\$ per tonne)			Total daily t	umover 3,871 ion
04-5 43-4	1678-82 1635-8	1705/1887 1844/1633	1698-700 1637-8	1857-8	18,500 icm
t/\$ rate:	I menins 1.5	191 ·	f meeting 1.65	77	9 months: 1,638
	95-6 A (E per to 22-4 82-3 nne) 0.5-1.0 5-6 00-700 00-25 00-10 05-66 05-10 05-66 05-10 05-10	155-6 1596-7  A (E per torms)  22-4 1518-80 22-3 1471-2 100-1 100-	95-8 1596-7 1596/1590  A (E per forms)  22-4 1518-40 1520/1518  22-4 1518-40 1520/1518  22-4 1518-40 1520/1518  1471-2 1486/1457  nne)  0.5-1.0 453-3.5 491/498  649 -0.75 489/491  50-70 8550-75 8560/8625  50-25 8590-600 8650/8600  10)  85-95 8155-85 8150/6145  55-16 8270-5 8360/8280  5gh Greele (\$ per tonne)  04-5 1678-82 1705/1697  153-4 1635-8 1844/1633	95-8 1596-7 1596/1590 1690-1  A (E per torms)  22-4 1518-80 1592/1518 1512-3  22-3 1471-2 1496/1457 1470-1  nne)  0.5-1.0 453-2.5 491/496 468-8.5	1586-7 1586-7 1586-1580 1580-1 1586-7

OMDÓN DU	PLUION MA	<b>ANCES</b>			Ma		fork			
oks (films uz)	5 price		400							
cee	349-349 1 <sub>2</sub> 349 1 <sub>4</sub> -348 1		04-204		<b>80</b> 11	700 trey	oz; Stray			
pening for	349.00		103 <sup>1</sup> 2-2 04.100			Ciose	Previous	High/Lo		_
Remoon for		2	04,288		Jun Jul	349.8 349.8	349.5 350.3	350.4	840.5	
ey's high ey's low	349 <sup>1</sup> 2-348 <sup>1</sup>				Aug	362.0	352.3	0 853.8	0 850.5	
	-				Oct	356.4	358.7	357.8	355.4	
olas	E price	_	44/9		- Feb	361,0 365,6	361.3 365.9	362.2 367.0	365.5	
apielesi ritannia	356-361 356-361		08½-2		Apr	370.0	370.8	371.0	370.3	
S Eagle	358-361		1081 <sup>2-2</sup> 1081 <sup>2-2</sup>		Jun - Aug	379.1	374.9 379.4	375.5 G	975.3 . G	
igel	355-351	2	7-5-5	1112		,	-		•	
rugerrand sw Sov.	348-351 82-84		11312 – 8 4912	200-4			n 24-4 2			
d Sov.	82-84	4	8-491/2		91.A7		roy as: Sin	W 07		-
oble Plat	482.45-490	10 2	82.45-2	96.96		Close		High/Lo		-
iver Sk	p/fine cz	-	iS cts	ednia	Jan 1		678.0	480.3	477.0	_
oca.	283.20	4	83.50		Oct	484.6	461.2	486.G	. 482.5	-
months months	293.75 304.45		93.50 03.80		Jen '	400.8	485.3 491.4	490.5 496.0	489.0 · 495.0	
months	325.50		25.90		Jul	400.5	498.1	G	0	
					19.7	1. 1.	14 × 10 ×	• *		
					-		4.7		٠.	
IADED OPT	10168				. BILVE	N 5,000 ti	OV OZ. COM	NITOY OZ.		
uminium (9	9.7%) (	Calle.		Na.		Class -	Prévious	High/Lov		
rike price \$	torme July	Sep	James	Brigo	Jun	482.5	481.1	483.0 485.0	487,1	
00	91	109	1	15	. Jul عند	483.7	482.5 485.3	495.9	482.0 0	
100 100	18 1	47 15	28 110	51 117	Sep	491.7	480.5	493.5	460.0	
					Dec .	502.7 505.0	501:2 504.4	504.5 508.0	971.0 977.0	
pper (Grad		alls		Puts .	Mar	513.4	\$11.6	815.5	811.0	
50 60	136 55	101	3 22	56 107	May	520.7	S18.6	622.0	\$19.0	
60	13	26	78	177	Jul Séo	528.1 338.0	528.1 534.0 .	530.0	527.0 536.5	
_	4-4		CECA		, —,	-			424.0	
Hee	Jul	Sep	30	Sep						
0	47 6	77 45	9	12 . 30	HIGH	BRADE C	OFFER 25,0	OC lbs; cer	nts/lbs	_
0	•	25	53	90		Close	Previous	High/Low		-
	ful	C	64	g <sub>es</sub>	· <del></del>		W		444.55	_

Jul Oct Jen Apr Jul	484.6 489.8 489.8	461.2 461.2 466.3 491.4 406.1	480.2 486.0 480.5 486.0 0	477.0 482.5 489.0 495.0 0
MLYI		oy oz: cem	a/troy oz.	
	Close	Prévious	High/Lo	
Jun	482.5	481.1	483.0	487.1
Jul. 湖流	483.7	482.5 486.3	485.9	482.0 0
Seo	491.7	460.5	463.5	490.0
Dec-	. 802.7 °	501:2	504.5	BITTO
Jen.	505.0 B13-4	504,4 £11,5	508.Q 515.5	807.0 811.0
Mar May	520.7	518.6	B22.0	519.0
Jul	528.1	520.1	<b>TA</b> 0	· \$27.0
Sep	, 836'0	534.0 .	639.0	535.5
-	-			
High	GRADE C	OPPER 25,0	100 lbs; cs	nts/lbs
HIGH	GRADE C	OPPER 25,0 Previous	100 lbs; cs High/Lov	
Jun	Close 115.10	Previous	High/Lox 115,25	114,00
Jun Jul	Close 115.10 113.90	Previous 115.10 111.80	High/Lox 115,25 115,40	114.00 111.50
Jen Jul Aug	Close 116.10 113.90 712.20	Previous 175.10 111.80 109.70	High/Lox 115.25 115.40 115.60	114.00 111.50 112.60
Jun Jul Aug Sep Oct	Close 115.10 113.90	Previous 115.10 111.80	High/Lox 115,25 115,40	114.00 111.50
Jun Jul Aug Bep Dat	716,10 113,90 712,20 110,20 106,80 107,40	Previous 118.10 111.80 109.70 108.30 107.05 105.75	High/Lox 115.25 115.40 113.60 112.00 0	114.00 111.50 112.60 108.30 0
Jun Jul Aug Sep Oct Nov Dec	Close 116.10 113.90 712.20 110.20 108.80 107.40 106.00	Previous 118.10 111.80 109.70 108.30 107.05 106.78 104.50	High/Lox 115.25 115.40 113.50 112.00 0 0 - 106.00	114,00 111,50 112,60 106,30 0 0
Jun Jul Aug Sep Oct Hov Dec Jen	Close 116,10 113,90 712,20 110,20 106,80 107,40 106,00 105,10	Previous 118.10 111.80 109.70 108.30 107.05 106.75 104.50 203.30	High/Lox 115.25 115.40 115.50 112.00 0 0 - 106.00 0	114,00 111,50 112,60 108,30 0 0 105,00
Jun Jul Aug Sep Oct Nov Dec	Close 116.10 113.90 712.20 110.20 108.80 107.40 106.00	Previous 118.10 111.80 109.70 108.30 107.05 106.78 104.50	High/Lox 115.25 115.40 113.50 112.00 0 0 - 106.00	114,00 111,50 112,60 106,30 0 0

	-	Previous	Libert of		. 1	and the same	U		
-	Close		High/L.c		-	arent de	000 by roin; c	make Milita de	
Jui Aug	16.00 17.00	16.62 17.59	17,54	18.90 18.93					
Sep	17.66	18.12	10,11	17.60		Close	Previous	Highlen	177
Sep	18.10	18.65	18.46	18.05	Jul	596/0	556/0	606/4	<i>5</i> 03/0
Nov Dec	18.50 18.70	18.84 19.08	18.79	18.45 18.70	Aug	902/2 806/2	506/4 506/4	602/4 608/0	6664 6664
Mar	19.21	19.39	19.00 19.35	70.18	Miles.	. 614/4	603/6	815/6	
Apr	19.29		19.38	19.25	Jan	824/2	615/2	425/4	0174
MAT	NO OIL A	2,000 UE gr	منعوم وال	of the coales	. Mar	636/0 ·	626/B 636/B	835/0	834G
	Close				Jul	653/2	842/4	854/4.	942/5
		Previous	High/Le		SOYA				-
Jul Aug	4796 4830	4837 4890	4845 4898	4780 4625		Char			
Sep	4990	8042	6050	4960	201		Previous	HPgh/Lbw	
Oct	5095	\$152	5180	5000	Jul Aug	24,13 23.98	23,77	B4.16	23.50
Nov Dec	6250 6336	6367 6367	6280 6380	8230 8370	300	23,86	23,49	25.67 23.67	
100	5390	5397	5415	5370	Oct	20.56	23.10	23.50	25.00
Feb Mar	5380 6195	2002	5380	5360	Jan	23.53 23.15	22.65 22.65	23.37 23.15	22.57 22.50
Apr	6050	5007	5210 5050	- 6176 8046	44	22.95	22.50	25.05	22.58
		es,\$/tonner			May	22.82	22.35	22.90	22.75
			<del></del>		BOYA	BEAN NE	LL 100 tons;	E/bon	
	Close	Previous	High/Lo			Ciose	Previous	High/Low	
Jul	1222	1206 1243	1224 1250	1200	hu				
Sep Dec	1285	1276	1259 1292	1236 1270	Aug	173,4 175,1	172.1	174.0 175.5 -	171.1
Mar	1309	1300	1313	1294	Sep	176.8	175.7	177.3	174.0
پرهايا ليال	1329 1342	1325 1335	1326	1325	Oct Dec	178.3	177.6	178.5	17.04
Sep	1357	1868	1350	1850 0	Jan	181.4 182.5	189.3 161.2	1 <b>82.4</b> 183.2	175.6 180.5
_		,500lbs; cer	-		Mer	785.7	T85.0	185.9	184.0
					May	187.0	186.0	10.3	185.5
	Close	President	High/Lo		MATER	5,000 bu	min; cents/5/	SID bushed	
Juli. Sep	88.70	88.00 90.35	88.95 91,35	87.40		Close	Previous	High/Low	
Dec	94.05	93.60	94,30	89.80 82.75	Jul	288/4	283/0	287/0	200/4
Sept.	96.75	96.30	96.95	96.20	Sep	283/0	278/2	MM	278/4
May	99.00 100.90	96.25 100.40	99.00	98.25	Dec	280/4 286/0	274/2	MAY .	27 1/0
Sep	102,75	102.25	ō	ě	Mar	288/6	280/2 283/0	286/0	237/2 251/4
BUGA	NORLD	*117 112,0	00 Bbs: ce	nts/The	Jul	290/6	254/6	291/6	284/0
_	Close	Previous	High/Lo		Seg Dec	276/0	272/0	276/0	271/4
Jul	12.55							267/0	262/4
Oct	12.50	TL-57	12.61	12.32 12.15	. WHEA	T 5,000 bu	Mist cente/	Olb-bugbel	
Mar -	- 11,98	12.03	11.99 11.95	11.65		Close	Previous.	. Hight our	40.00
May	11.94 11.78	12.08 11.90	11.95	11.70	Jul	330/0	325/0	331/4	320/4
Oot	11.62	11.75	11.60	11.60	Sep . Dec	335/2 349/4	232/4	336/4 · 1:	381/4
COTTO	ON 50,000;	cents/ibs			Mar	356/4	364/4	350/0	<b>345/4</b> 3- <b>361/</b> 2
	Close	Previous	High/Los		May	349/2	357/0	363/0	349/4
Jel	81.28	80.83			· 501	-	346/0	3450	* 343/4
Oct	76.72	75.71	81,45 76,75	75.80	TIME	ATTLE 40	000 lbs; cen	- 1	R
Dec	78,75	72.46	73,80	72.67		Close	Problems	Hightow	
Mer	74.45 74.80	73.25 73.70	74.45	73.50	Jun	76.97	78,67	77.07	78.05
Jui	74.60	73.80	0	73.75 0	Aug	74.75	74.27	74.87	74.00
Oct	68.60	68.00	69.00	67.80	Oct Dec	76.00 76.77	76.85	<b>II</b>	A
ORAN	E JUICE	15,000 fbs;	cants/lha		Feb .	75.40	75.17	75.00	75.10
	Clime :	Previous	High/Lov		Apr	76.47	76.36	76.07	<b>15.13</b>
					े नुस्ता	73.40	73,16	78.4	
Jul Sep	176.30 177.10	179.50 182.10	179,70 177,10	170.00	LIVE H	008 30.00	In in centeri		
Nov	172.50	177.50	172.50	177.10 172.50	-	Close			
Jan.	169.70	174.70	170,00	188.70	100.00		Previous	High/Low-	
May May	169.50 168.50	174,30 173,50	171.00	168,50	ikm Jul .	61.27 59.55	61.17	£1.26	20.27 28.10
Jul	168.50	173.50	166.50 0	188.50	Aug	57.A7	59.30 57.22	39.76 · -	35.40
			<u> </u>		Ost	61:67	1. 1 3 A	57.85 57.06	80.90
BIOK				1	Dec Feb	51.06 49.20	P1'65	51.40	141.50
AND THE	ere (Bes	s: Septemb	er 18 193	f = 100)	Apr	46.86	46.00	4.2	46.06
	Jun 18	Jun 15	moth ac	о уг адо	Jun	50.00	50,00	47.15 50.76	46.50
·	1845.7	1838.0	1905,8	2029.0			0,000 for; on		-
		_			-				-
		ese: Dec. 3				Close	Previous	High/Low	
	Jun 15	Jun 14	moth ag	о ут адо	Jul	54.45	Op. 45		**
Spot	129,48	129.84	15841	132.15	Aug. Feb	62.10	. <b>63.63</b> ()	W.02	
	s 130.56	180.40	134.33	132.05	- Mag	61.05 50.70	60,65 760,05	92	
					May	61,40	60.80	CL CO	<b>*</b>
					-	_		7 T. A.	
									•
							-		
		•						, ,	

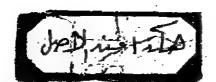
# £145 £124.5 Berley (English 1990) Malza (US No. 3 yellow) Wheat (US Dark North Coconut oil (Philip Palm Oil (Malaysia \$340z \$272.5q \$220.0v £156 TEA There were week, inclu Tea Broker

+6 -0.03 +1

t at s	reduce	ed price, for	COTT	N - 144	den POX		٤'n
		ome large		Close	Provious	· High/Low	
		r, analysts	Jul	567	600	897 588	
		s that the item	Nov 1	616 634	616 637	615 607 636 626	
		en construed	Jen	850	860	853 546	
	tht price		Mar	606	675	870 665	
	rocessor I <b>from R</b>		May	961 700	700	682 680 694	
•	H CHH IN	<del>dana.</del>	humowe	r: 2962 (	761) lots o	5 tonnes .	-
L	m POX	(S per tonne	i) iCO in	dicator pr	ices (US c	ents per pou	ındj
000	Previous	High/Low		6: Comp. ( 25 (72.61)		(68.97). 16 de	y a
11.00 17.20	284,40 279.40	283.00 276.00 280.00 271.00	POTAT	1086 - I	-		C/te
2.00	286.40	382.00 STT AR	-	Close	Previous	High/Low	-
13.60 13.60	266.00 265.00	265.00 260.00 264.20 261.60	Nov	92.5	100.0	97.0 87.0	
3.60	285.00	264.20 262.40	Feb	120.0		120.0	
058	Previous	HUDIVILOR	Apr	128.5	144.0	135.0 125.5	
1.0	386.0	388.5 378.2	Likey	140.0	155.5	141.0 137.5	
7.5	359.0	361.0 364.5	rumow	er 810 (68	(4) lots of 4	O tonnes.	
0.5 8.5	351.0 346.0	352.5 347.5 344.0 342.0	SUYAL	MAR NO	AL - BPE		Cho
15.0 12.5	344.5 342.5	343.0 341,5		Class	Previous	High/Low	
1.0	331.0	331.0	Oct	115.50	117.50	116.50 116.6	50
CHEST		s of 60 tonnes.			lote of 20		
(Ffr	per tonne):	Aug 2149, Oct 301	7				
uen is	00, play 12	(50)	PRODU	אדעיו זא	128 – RF1	E \$10/inde	x p
L — 19		\$/barre	M	Close	Previous	High/Low	
Close	Previo	us High/Low	Jan	1135 1009	1135 1015	1195 1120	
15.67	16.12	16.20 15.67	- Jul Oct	1080	1101	1085 1073	
16.27 16.65	16.60 17.10	16,62 16.27 16.65	Jen	1107	1123	1110 T092	
17,18	17.35	17.19 17.16	Apr BFI	1110	1 LUTE 1219	1100	
18.27	16.10		Turnove	r 468 (32	2)		
269 (6:	544)				<u> </u>		
P		\$/3000	CHAIN	8 – RFE			ملاث
050	Previous	High/Low	Wheat	Close	Previous	High/Low	
2.50 3.75	145.25 146.75	144.75 142.50 146.00 143.50	Jun	119.90	119.85	120.00 119.7	5
7,00	149.25	198.78 147.00	Sep	113.20 117 <b>.2</b> 0	113.50	117.40 117.2	-
9.75	153.00	151.00 149.75	Jen	120.75	1 50,000	120.75	~
1.75 8.75	155.25 167.00	153.50 151.75 166.75 153.76	Mar	124.50	117.40		
4.00	156.50	155.00 154.00	May Jun	127.25 128.45	121,00 127.25	127.25	
79 (61	18)lots of	100 tonnes	Barley	Close	Previous	High/Low	
- 22 2	79 eeeles	s on offer this	Sep	111.00	111.55		
		ore reports the	Nov Jan	115.95	116.00 119.30		
as' Ās	sociation, 1	There was	Mar	122,10	4 18.30	122.10	
genera and the	al demand. Linetter me	Bright liquoring diums often	Turnow	r: Wheat	110 (159)	Barley 3 (101)	١.
to 10p	per kilo a	nd sometimes			100 towns		_
in C817	ne to a seis	tions from each active market.	MOS -		100	at Carteries	- 10
ret god	od support	at improved				sh Settlemen	ų į
	teas prove eady where	d irregular with		Close	Previous	High/Low	_
-17 34 1- QUA	ity 230p (2	20p), medlum	Jun	142.0	140.3 123.0	141.0	
), low	medium 7	7p (75p).	Aug	124.0 125.0	123.5		
					lots of 3.25	th to	
			I IZIICW	m 10 (01)	كثرة الاحدادا	n vä	

7 588 5 607 5 628 9 546 9 665 2 680 4 per pound) for 17), 18 day aver-	Cash Heronia Zino, Sp Cash S month Lase Ck SPUT: 1
\$/rome sh/Low 7.0 87.0 1.0 1.0 125.5 1.0 137.5 nnes.	Close Opening Marning Afternor Day's in
£/tonne gh/Low 8.50 116.50 86. \$10/index point	Maplete Britanni US Eag Angel Krugern New So Old Sov Noble P
h/Low 65 1180 96 044 95 1073 10 1092	Silver si Spot 3 menti 5 menti 12 menti
\$\$\text{\$\exitin{\text{\$\text{\$\text{\$\text{\$\text{\$\text{\$\text{\$\text{\$\exitin{\text{\$\text{\$\text{\$\text{\$\text{\$\text{\$\text{\$\text{\$\exitin{\text{\$\text{\$\text{\$\text{\$\text{\$\text{\$\text{\$\text{\$\exititt{\$\text{\$\text{\$\text{\$\text{\$\text{\$\text{\$\text{\$\text{\$\text{\$\text{\$\text{\$\text{\$\text{\$\texititit{\$\text{\$\text{\$\text{\$\text{\$\texitint{\$\text{\$\texititt{\$\text{\$\text{\$\text{\$\ti	TRADET Aluminic Stritos p 1500 1000 1700 Copper 2450 2660 2660
L10 by 3 (191). Settlement) p/kg h/Low	Coffee 550 600 650 Coccea 730 800 850
	Brent Ci 1580 1600





# t prices

To expected

mediaction w

48% H.S.

# LONDON STOCK EXCHANGE

# Inflation doubts upset share prices

SECOND thoughts on prospects for early British entry into the exchange rate mechanism of the EMS, prompted by the disclosure of unexpected increases in UK unit wage costs and Public Sector Borrowing Requirement, brought a setback in UK equities yesterday. The latest economic data, which followed last Friday's news that the annual rate of domestic inflation had risen to 9.7 per cent, was also reflected in a dip in the pound and in lower prices

for UK Government bonds. The 8.1 per cent gain in unit wage costs for the three months to April over the comparable period a year earlier

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unsettled an equity sector already troubled by warnings in the UK press on the possible implications for British industry of entry to the EMS currency mechanism while domes-tic inflation remained high. The market's unhappiness was compounded by the increase in Public Sector Borrowing

sion on news that ECC, for-merly English China Clays, had sold its near 29 per cent stake in the househuilder.

ECC acquired the shares

during an unsuccessful and hard fought takeover bid for

hard fought takeover hid for Bryant in 1996.

The stake, comprising around 60m shares, was placed in the market at 84p apiece by Charterhouse Tilney, the stock-broking arm of Royal Bank of Scotland. The broker was thought to have made a bid for the share stake, in a move

the share stake, in a move known in the market as a "bought deal."

placed with twenty of their UK institutional clients." The hold-ing was said to have been up

for sale for at least a year.
Bryant shares came under

heavy pressure as details of the

deal became known, dropping to a low of 85p before steadying to end a net 8 off at 86p. ECC shares, on the other hand, gave a positive response

nand, gave a positive response to the news, advancing 13 to 402p on turnover of 1m. Confirming the sale of the shares, which raised £49.9m net of expenses, ECC said the proceeds would be used to help pay for its proposed acquisition of Georgia Kaolin.

BET, the industrial and server.

BET, the industrial and ser-

Mr Chris Cannon at Charterhouse Tilney, said the shares "were oversubscribed and

- more than three times fore: casts from equity analysts, and casting a cloud over the outlook for the Government's financing policies.

Equities opened lower, in spite of Wall Street's new high on Friday, and the market was quickly hit by a batch of downgradings of leading stocks by brokerage analysts. Share prices were already sliding hen the day's list of economic data reached the trading screens at mid-morning. From then on, equities gave further ground in modest trading, reaching the day's low of FT-SE 2,367.4 as Wall Street

vices group, regained an early

cessary after the acquisitions of the past few years.

Mr David Ireland of Hosre

Govett turned positive after the post-results' meeting, rais-

ing his estimate of current

more downward pressure – Brent for August delivery dipped below the \$16 a barrel

level - after reports that Mr Sadek Boussena, the Opec

president, had written to all

Opec members warning that

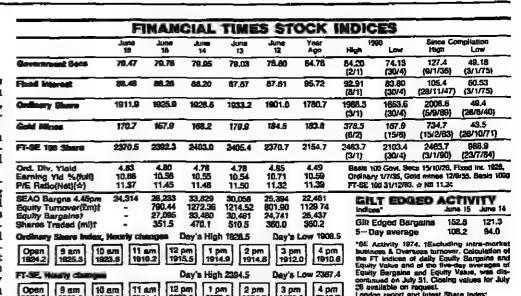
Despite an early fall of nearly 28 Dow points in New York, London steadied at the end of the trading session. The final reading showed the FT-SE Index at 2,370.5, down 21.8.

Seaq volume remained fairly steady at 403.4m shares, against Friday's total of 400.2m. Some of the more speculative buyers of the past month were shaken out, but the investment institutions made little move to sell stock. An indication of underlying support came from the successful placing with UK institu-tions of 60m shares in Bryant Group, the housebuilder, in what was described in the mar-ket as a "sensational piece of

bid brought a sharp rise in Speyhawk, the property group, but the shares were thinly-

A £21.7m rights issue from Sketchiey had been foreshadowed in the weekend press and the shares shed 10 per cent. There were some weak sec-

tors, notably the UK clearing banks, where Midland suffered further profits downgradings by a leading UK securities analyst. The same analyst had downgraded National Westminster Bank at the end of last week. UK bank shares were additionally unsettled by doubts over involvement in property deals in the US.





Press reports that Pickwick,

the video, records and cas-settes distributor, had secured

the video distribution of the

successful US film Teenage

Mutant Ninja Turtles helped the shares climb 8 to 246p. Confirmation that prelimi-

nary talks were in progress which may or may not lead to a bid lifted troubled property

concern Speyhawk to 201p, before closing 56 higher on the day at 195p.

Evan of Leeds also pros-

Based on trading volume for most Aipha securities dealt through the SEAC system yeuterday until 4.30pm

loss after revealing annual profits at the higher end of market expectations, although the figure of £322.3m (against the figure of £322.8m (against £270.6m) was slightly flattered by property disposals. After dipping to 242p, the shares ralified to end unchanged at 252p. Another piece of good news for the market was the group's shift in policy. BET stressed that this year the emphasis would be on organic rather than acquired growth now that its reorganisation programme was virtually completed.

Analysts agreed that a 1150 1100 **Equity Shares Traded** Analysts agreed that a period of consolidation was

FT-A All-Share Index

Tumover by volume (million)

year profits to £360m and changing his stance from hold to buy. The stock will attract income buyers because of the good yield on the final dividend payment, he said.

The oil and gas market remained highly nervous as crude oil prices came under yet Apr May Jun

they "stood on the brink of a rerun of the 1986 price col-lapse," which took oil prices below the \$10 a barrel mark. British Gas held up well, closing only 1% easier at 218p, ofter an investment commun. given by the company at Hoare Govett, the company's stock-broker. The Hoare energy team said Gas had delivered a "posi-tive statement on its explora-tion and production business and the potential for the global gas industry. Hours is hosting a presentation for Scottish

stitutions on Thursday. Worries about NatWest's exposure to the Donald Trump empire in the US brought fur-

shares. They closed 9 off at 334p on keen turnover of 3.5m, with one leading analyst taking the view that the banks now fear "major bankruptcies in the UK and the US".

A package of bad news from Sketchley knocked 20 off the shares to 183p. The company reported a 12-month loss of 52m, against a profit of £16.1m

52m, against a profit of £16.1m the previous year. R is raising \$20.5m through a three-for-five rights issue at 100p. There was

The chairman, who will resign at the annual meeting, stated that 1989-90 had "been a nightmare year for the company." He said that the group's results had been disastrous and that its credibility has been severely shaken. BAA was the best perform-

ing of FT-SE 100 stocks after the company posted year-end profits 29 per cent higher at 2256m. Traders were particularly pleased with the appointment as chief encutive of Sir John Egan, who retires as chairman of Jaguar on June 30, BAA firmed 7 to 223p. Computer software group

Logica retreated 14 to 188p amid hints that a profits downgrade could be on the cards. Specialists said, however, that the decline represented an attempt by dealers to find a trading level for the shares. Television contractors were

for aspiring bidders between October and March. The next time bids will become a posihit by news that a moratorium on takeover bids had been made a near certainty by changes yesterday to the Broadcasting Bill. The Bill, scheduled to complete its passage through Par-liament by the end of October, was amended to allow the mor-atorium to be imposed by the ITC, the successor to the inde-

Analysts were divided over whether the change would inhibit bids or push predators into action. Most TV stocks slipped in light trading. Anglia ost 5 to 255p and HTV softened

pendent Broadcasting Authority. The ban on takeovers is

designed to let new holders of franchises establish them-selves. The IBA has also said

that it would prevent take-overs until the Bill is passed, and again once the tendering process for the new franchises

as begun, around March 1991.

The consequence is a six-month window of opportunity

bility is 1994, a year after the new franchises, have started broadcasting.

n Ob ....

pered, rising 13 to 263p on hopes of good preliminary fig-ures next month, but the over-2 to 97p. Central, in which Carlton Communications has a 20 per cent stake, eased 3 to 688p. Carlton lost 7 at 538p. Thorn EMI and BET have 27 all trend in the sector was per cent apiece of Thames, which closed 7 lower at 435p. Thorn and BET put their stakes up for sale in April. Davy Corporation turned

back awaiting tomorrow's pre-liminary statement to end 10 down at 251p. Dealers blamed the fall on profit-taking after the recent strength.

Alan Cooper, the office furni-ture manufacturer, weakened

on the board's caution over the outlook for the full year and news that a cost-cutting pro-gramme had been imple-mented. The shares fall 15 to a low for the year of 150p.

■ Other Market statistics, including the FT-Actuaries where index, Page 27

# Midland under pressure

THE BANKS team at County NatWest, which lowered its target for NatWest last Friday and hinted at big downgrades in the other banks, moved quickly yesterday to lop its current year expectation for Midland Bank. County's forecast was already among the lowest estimates and this upset the Midland share price, which

closed 3 off at 297p.
Mr John Aitken, County's banks analyst, reduced his pre-tax profits estimate for the year from 5550m to £385m, highlighting the bank's "dread-ful" position on its Treasury book, which could account for up to £120m this year, and much higher had debts in the UK, which Mr Aitken said could well reach £200m. The County analyst also spoke of a robable £30m provision for Midland's exposure to Brit-ish & Commonwealth, and listed additional problems of no volume growth in Midland's

traditional banking areas.

Mr Aitken said "it is difficult
to convey just how bad Mid-land's figures will be." He added, however, that the bank was "an optimum target for a hidder, the bank can be bought and the right buyer could eas-ily double the bank's profits."

Bryant stake sold There was hectic activity in Bryant shares early in the sec-

#### NEW HIGHS AND LOWS FOR 1890

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# APPOINTMENTS

# New chief for Ciba-

Mr John 5. Fraser has been appointed chairman and chief executive of the CIBA-GEIGY UK GROUP from November He will also become chairman of Ciba-Geigy (Financial Services), Clba-Geigy (Insurance ervices), the Ciba-Gelgy Fellowship Trust and Ciba-Geigy ireland. He retains his chairmanship of Ciba-Geigy Chemicals and The Clayton Anilene Company. Mr Fraser Succeeds Mr Allan A.S. Rae

as general manager marketing and sales. He was a senior executive with Alitalia.

Mr Michales Menres has been appointed a director of STANDARD CHARTERED TRUST GEOUP HOLDINGS, International Trustee, the principal companies providing global fiduciary services for the Standard Chartered Group. He was a director of Lazard Brothers & Co (Jersey), and will be based in London to develop regional business and marketing strategy in the UK and Europa.

M Mr Nigel Mackenzie has joined ROWLINSON DEVELOPMENTS = 1 director. He was formerly an associate in the development epartment of De Groot Collis. Mr MacKenzie will be the director of development with responsibility for developments in the South East and South West, harter and harm.

subsidiary of the de Morgan Group, has appointed Mr Mike

■ N G BAILEY & CO, the UK private electrical engineering contractor, has appointed four associate directors. Mr Les Cliffe, site manager of the major projects division, life Colin Emsley, senior quantity

in London.

# Geigy UK

Who is retiring in Nove

■ AIRPLUS, the airline-becked business travel service card, has appointed Mr Ugo Zaccheo

THE RETAIL GROUP, a Evans as deputy managing director. He joins from The

> Ms Amanda Poole and Mr Jeffrey von der Schulenberg have joined the board of AXIOM ADVISORS. He Poole was previously a director of Management Horizons (Europe). Mr Schulenberg was previously employed by Russell Reynolds.

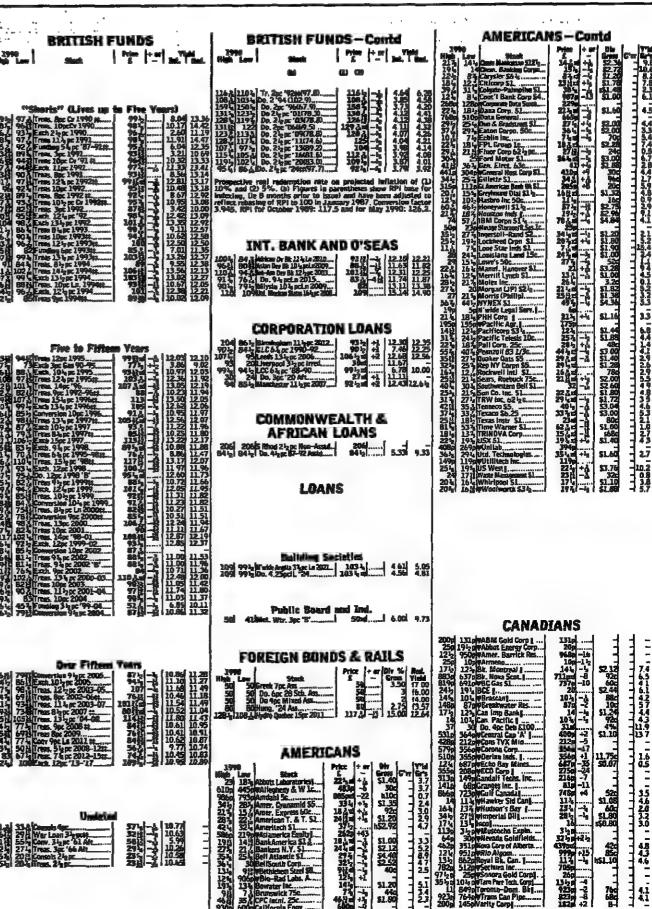
# training centre, Mr Heith Nielson, site manager of the major projects division, and Mr Alan Walker, craft training manager, have all joined the board.

■ WOOLWICH (EUROPE) ~ subsidiary – has appointed Mr Robert J. Goulston as managing director of its station company Woolwich Spa, based

CONDER PROJECTS, the design and build contracting division of Conder Group, has appointed Mr Bill Leonard as in finance director. He was previously a divisional finance director with British Aerospace and latterly acting vice president (finance) of BAE inc.

■ Mr Stephen J. Deakin has left Nico to join the board of OVERBUHY & SONS, based

LONDON SHARE SERVICE



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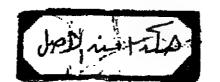
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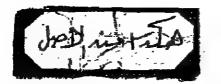
# Holders of Bonds are requested to contact:

David Newport, Michael Edwards, or Debbie Morris, Bond Corporation 1 Northumberland Ave, Trafalgar Square, London WC2N 5BW Tel: (071) 872 5864 Fax: (071) 872 5789

This Notice is published in connection with the Notices of Meetings of the Holders of the Bonds to be held on 29th June, 1900 at 1 Northumber reque, Trafelger Square, London WC2N 5BW which were published in the Financial Times and the Lutemburger Wort on Wednesday, 6th June, 1990.



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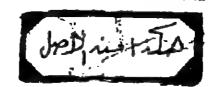
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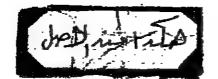
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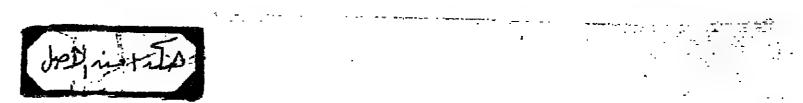
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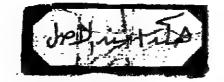
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# FINANCIAL TIMES TUESDAY JUNE 19 1990 FT MANAGED FUNDS SERVICE Current Unit Trust Prices are available on FT Cityline. To obtain your free | RAV | Jacob | | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala | Sala IRELAND (SIB recognised) 90.034 |+0.123| - Abby Gi | Berroamy Solution Tab (B) Cale | American Solution Tab (B) Cale | American Solution Tab (B) Cale | American Solution Tab (B) Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | Cale | C **Money Market** me A Property Land Comment of the Co Citibent Savings & Martins Hig. Harme Ciribbank Savings Marina his, Hammanshik Gross W6 681-741-9941 Basey Marina his, Hammanshik Gross W6 681-741-9941 Basey Marina his, Hammanshik Gross W6 681-741-9941 Basey Marina his, Hammanshik Gross W6 681-741-9941 Ciribbank Savings 11 00 6-50 994-11 00 6-50 12-11 12-1 JESTY DEPOSITOR A DESCRIPTION OF SHAPE PRINTS A DESCRIPTION

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**CURRENCY PROPHET Mk II** 

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Chicago Board of Trade

# Inflation worries hit sterling

STERLING WEAKENED yesterday as worries over infla-tion persisted following the release of UK unit labour cost figures. Other currencies were thinly traded and the US dollar was confined to a narrow

The pound began the day in Europe below Friday's closing levels after a decline in New York and Tokyo. Japanese dealers had responded to adverse comment in some of the weekend press by marking it lower.

The next leg of sterling's decline came after the publication of a batch of UK economic statistics. Unit labour cost data unsettled the market the most.

In the three months until the end of April, unit labour costs in manufacturing industry rose by 8.1 per cent from the same period last year, which compared with expectations of a 7.9 per cent increase and a revised 8.1 per cent rise in the same period to March.

The unit labour cost figures along with those for industrial and manufacturing production showed that the economy was still not slowing down, said Mr Andrew Longbottom, senior economist at Barclays Bank. And Mr David Coleman of Union Discount said: "This reinforces the idea that infla-tion will not be coming down

E IN NEW YORK							
Jane.18	Close	Previous, Close					
£ Spot	1.6740-1.6745 0.92-0.90pm 2.71-2.68pm 9.28-9.21pm	1.6880-1.6887 0.92-0.91pm 2.71-2.68pm 9.29-9.22pm					

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Jure.18	Bank rate %	Drawing Rights	European † Currency Umi							
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June 18	Bapk rate %	Drawing Regists	European Currency Unti					
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* All SDR rates	imitesion are for J	Calculations. June 15						

CURRENCY	MOVE	MENTS
June 18	Bank of England Index	Morgan Guaranta Changes %
Starting U.S. Dollar Cauadian Dollar Austrian Schilling Belgaan Franc Danish Krone Danish Krone Danish Krone Serian Franc Gander French Franc Line Line	90.6 67.6 103.8 109.5 111.2 110.4 118.1 113.5 114.1 104.1	-21.3 -10.3 +11.4 +14.4 +21.7 +21.7 +15.6 -11.5 -18.5 +49.2

Morgan Guaranty Changes: average 1980-1982 - 100, Bank of England Index (Base Average

ОТНЕ	a cunne	NCIES
June.18	£	\$
Finland Greece Hong Kong Iren	8520.40 - 8527.10 2.1915 - 2.1935 9.125 - 9.49925 6.7750 - 6.7880 279.65 - 284.15 13.2970 - 13.3100 118.207 1215.60 - 1225.25 0.49930 - 0.50060 59.25 - 59.35 4.6285 - 4.6395 4.6285 - 4.6395 6.4925 - 6.4080 1.1735 - 3.1605	4990.00 - 5000.00 1.3800 - 1.2800 55.0000 - 55.6000 3.5485 - 3.9715 163.50 - 166.65 77.7825 - 7.7845 70.100 713.40 - 719.00 0.29240 - 0.29300 34.55 - 34.55 2.7125 - 2.7125 2547.00 - 2548.05 1.7155 - 1.7175 3.7995 - 3.7505

in a hurry."
The concern about inflation led to worries that sterling may not be able to become a full member of the European Monetary System in the autumn, as reported in the

In addition, a larger-than-expected increase in UK public sector borrowing upset the market. The £1.7bn May public sector borrowing requirement compared with expectations of

But analysts said that high UK interest rates prevented a larger decline by sterling. Many dealers said sterling had been surprisingly resilient in the face of recent inflationary fears. Furthermore, at a time when the dollar appeared locked in a tight range, sterling had become more of a speculative play in the currency mar-

kets. Sterling closed at DM2.8725, down from DM2.8900 on Friday. It also ended at \$1.7135 up from \$1.7065; it weakened to SFr2.4275 from SFr2.4500; to FFr9.6550 from FFr9.7175; and strengthened to Y263.25 from Y263.00. Sterling index, calculated by the Bank of England

closed 0.2 point down at 90.4. Among the other major cur rencies, the US dollar was mixed in a tight range. It fell against a strengthening

Against the Japanese yen it rose, as the yen was depressed by talk of a political scandal Mr Longbottom said the dollar could remain "on hold" until German monetary union on July 2 or the release of June US non-farm payroll data on

July 6.
The dollar closed at DM1.6760 from DM1.6930; at Y153.70 from Y154.15; at SF1.4350; from SF1.4350; and at FFr5.6350 from FFr5.6950. The dollar's index fell to 67.6 from 67.9.

EURO-CURRENCY INTEREST HATES									
Jun 10	3	Short term	7 Days notice	One Month		arée untilis	Six Months	Çme Yêar	
Lerling		34-13 34-13 34-74 34-74 34-80 34-80 34-81 34-74 34-74 34-83	84-84 84-84 84-713 84-713 84-714 84-84 87-84		1413-142 874-813 1312-134 814-813 814-814 10-47 112-102 94-95 74-74 104-102 104-102		143-1463 84-84 133-134 84-84 84-84 104-104 114-114 77-74 104-104 84-84	14 [3-14]; 8,2-8,3 13-12 3; 87-83; 87-83; 10,3-103; 12-113; 93-95; 74-75; 103-103; 83-84;	
Long term Eurodollan: two years 8(g)-8(g) per cent; three years 8(g)-8(g) per cent; four years 9(g)-8(g) per cent, only years 9(g)-9(g) per cent nominal Short term rates are call for US Bollars and Jupanese Yen; others, two days' notice.  POUND SPOT- FORWARD AGAINST THE POUND  June 18 Day's Close One month % Three %									
US Canada Nether Laods Belghuro Denmani reland W Germany Portugal Spath Morevay France sweden Lapten Lapten Lastria Lapten Lastria Las	1.7050 - 1.9985 - 3.224 - 2.59.00 - 1.0710 - 1.0710 - 1.0710 - 1.0710 - 1.0710 - 1.0710 - 1.0615 - 1.0	1.7145 2.0090 3.254 99.35 10.98 1.0755 2.884 178.35 111.03 1.714 10.344 1.714 10.344 1.45 1.45 1.45	17130 - 171 20000 - 200 3.224 - 3.23 59.25 - 59.3 10.965 - 10.9 10710 - 107 2.87 - 2.87 2.52 5 - 253 176.15 - 177 1176 - 11.17 9.65 - 9.66 10.431 - 10.4 20.18 - 20.2 2.434 - 2.43 1.3960 - 1.397	40 0.92-0. 70 0.22-0. 1 1-1-1-2-2-2-2-2-2-2-2-2-2-2-2-2-2-2-2-	90cpm 14cpm 5cpm 23cpm 23cpm 25cpm 24cpm 35cpm 3cpm 3cpm 3cpm 3cpm 3cpm 3cpm 3cpm 3	6.37 1.08 6.26 4.53 4.20 6.53 1.61 3.70 3.37 2.66 7.41 6.13 5.57 4.68	54-5 78-77 13-105 1.36-105 44-44	111 628 1 62	

DOLLAR SPOT- FORWARD AGAINST THE DOLLAR									
June 18	Day's spread	Close	Que month	p.a.	Three enonths	P.A.			
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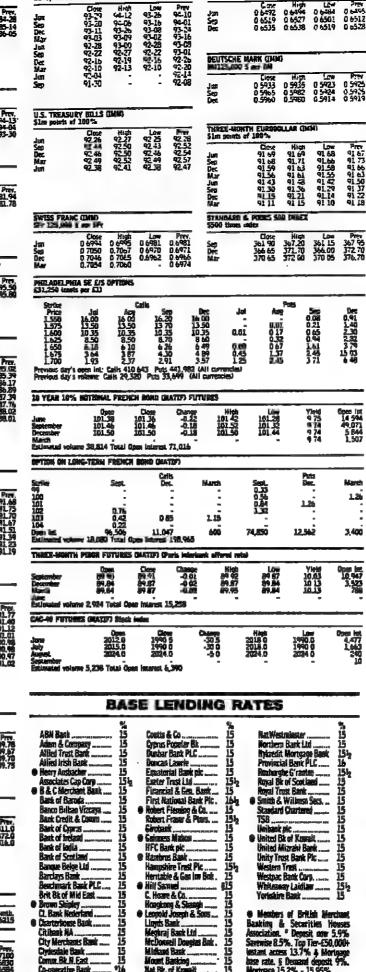
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Adjustment calculated by Financial Times.							

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DM YEN	0.348 1.79	0.997 6.510	1 10.91	91.45 1000.	3.361 36.67	0.845 9.221	1.125 12.28	733.7 8006	0.699 7.622	20 M
F Fr. S Fr.	1.036 0.412	1.775 0.706	2.976 1.183	272.7 108.4	10. 3.977	2.515 1	5.349 1.332	2185 868.2	2.079 0.827	11.42 24.42
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i	Sep 84-16 Dec 85-07	85-07	84-14	85-14 86-05	Sep Dec Mar	93-11	93-26	93-0 93-0 93-0	2
6	Estimated volume 1: Previous day's open	7355 (4033) Int. O (3490	en en		Jul Sep	92-25 92-22	93-00	92-2 92-2 92-1	8 1
	Fremota day s Open	ш. 0 О-и	_		Dec Mar Jen	92-16 92-16 92-04	72-13	42-1	5
•	US TREASURY BOW	05 8%			Sep	91.30			- '
	Clase	High	Less 93-30	Prev.	U.S. TREAL	SURY BILL	CMMD 2		
7	Jun 93-28 Sep 93-19 Dec 93-12	94-03 94-00	93-19	94-13 94-04 93-30		Close 92.26	High 02 17	Lo	
	Estimated volume 3 Previous day's open	Int. 0 (6039			Jun Sep Dec Mar	97, 44 92, 49 92, 39	92.50 92.50 92.52	92.4 92.4 92.4	6
	6% NOTENAL GEN DM250,000 1000s	# 190%			Jun	42.38	4541	42.3	0
	Sup 81.91 Dec 81.77	82.10 81.90	81.76 81.80	Prev. 81.94 61.78					
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7	Sep 95 43 Dec 95.73	High 95.50	15er 95.43	95.50 95.80	(31,250 to	MIA SE EL Mis per C)	S OPTION		
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	Mar 86.69	85.51 87.31	85.97 85.66 87.17 87.59	10.00 10.00 10.00 10.00 10.00 10.00	10 YEAR 10	1% NOTES	UL PREN	CH BONS	CAA?
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7,7

Granville Davies Limited

77 Mansell Street, London El SAF

ACROSS
1 Cook came to finish off

English vegetable mixture (9) 6 Ground for Archbishop's praises being heard? (5)

8 is getting close attention in different quarters (5)

10 Dance music provides flest-ing impression (9) 11 More mature fruit used for wine-making (10)
12 Because, it's said, not many favour abandoning authorised version (4)

ised version (4)

14 Rosemary is one, inflexible about drink (7)

15 Fall to notice I've written letter (7) 17 Sob quietly, nervous reac-

tion concealed (7)
19 Flock takes long time to collect together (7)
20 Originators of English liter. ature adopted natural, vigorous style (4) 22 Take walk then lie on new gymnastic equipment (10) 25 Military change direc-

tion – there's a fight on the go (5,4) 26 Confuse tar with smoking product (5)
27 It gives rise to food but as

yet ingredients are unstable (5) 28 Lost, so the revised line-up is ineffective (9)

DOWN Abundant supply including cold chopped mest (5)
 Candle-maker's place has to deal with blubber setting (9)
 Daughter is offering to

deliver (10)

4 Investigation on the ear

**JOTTER PAD** 

bearing on requirement for writing (7) 5 March on American military exercise turned up pithy witticism (7)
6 Akin to love (4)

7 In preparation for a lasting relationship (5) 8 Succeed with person two-thirds encased in leather (9)
13 The Madman is way behind the Hitchcock film (10) 14 Concealed by a line man-

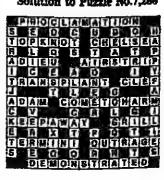
ager (9)

16 Not living in with a Northern Ireland couple? (9)

18 Travelling entertainment doesn't stop when it is on tour (7) 19 Find a pepper pot; mine is. broken (7) 21 A rambier reported the

smell (5) 23 The original large distinctive character (5) 24 Leave it time to congeal outside (4)

Solution to Puzzle No.7,286



#### MONEY MARKETS

#### Rates harden

RATES AT the short end of the initially forecast a shortage of UK yield curve were firm yes-terday as sterling weakened on worries over the outlook for inflation.

Rates started to firm on Friday after the release of the May inflation figures, which showed a yearly rise of 9.7 per cent from 9.4 in April. The worries over inflation were underlined by the latest UK unit labour cost figures, which showed a sharper increase than expected. There was also concern that

UK clearing bank base lending rate 15 per cent from Vetales &

sterling's rally last week may have been overdone, causing pound to weaken

yesterday. The key three-month interbank rate was unchanged from Friday's close at 1418-14% per cent. But further out along the yield curve rates hardened slightly. Six-month money was offered at 15 per cent, up is point. Money market dealers said little business had been transacted but added that there was sufficient liquidity to avoid a technical squeeze.

In the futures market, September short sterling shed 7 points to 85.32, while March

eased 20 to 86.71. The Bank of England around £100m, which was revised to £150m at noon and to £250m during the afternoon. The Bank's only help to the money market was late

assistance of around £180m.
Factors contributing to the
shortage included bills
maturing in official hands and a take-up of Treasury bills, which drained £949m. Bankers' balances below target drained a further £150m. But this was partly offset by Exchequer transactions, which added \$425m and a fall in the note

circulation of £575m. In Frankfurt, West German call money rose to 7.75-85 per cent, from 7.60-70 per cent, as banks prepared to meet June's tax payments. Tax payments have not yet started to drain liquidity, but banks were still keen to build up reserves.

In Paris, the Bank of France left its intervention rate unchanged at 9.50 per cent at a securities repurchase tender held yesterday to allocate funds for injection into the

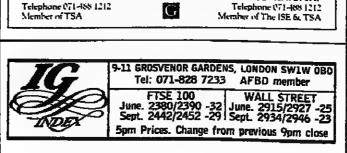
money market today. In New York, the Federal Reserve added \$1.5bn in temporary reserves to the banking system using customer repurchase agreements, which had been anticipated by the market. At the time of the operation, Federal Funds were trading at an unchanged level of 8% per

FT LONDON INTERBANK FIXING									
C11.00 a.m. Jane 181 3 months US dollars & months US Dollars									
bed BA	offer 6.5	hid 64	offer 83 <sub>5</sub>						
freing rates are the arithmetic means rounded to the meanest one-stateenth, of the bid and offered rates for \$10m ed to the stariot by five reference banks at 11.00 a.m. each working day. The banks are flational Westminutar b, Sank of Tokyo, Densole Bank, Banque flational de Paris and Morgan Guarasty Trust.									

MONEY RATES									
NEW YORK Treasury Bills and Bonds									
(4pm)									
June 18	Dremight	One Month	Two Months	Three Months	Sir Months	Lombard Intervedion			
Frankfurt	7.70-7.80 98-99 85-85 748-7.81 74-72 115-112 7.35 103-114	7.85-8.00 9898 83-85 805-8.15 74-75 114-115 98-98 112-113	8.00-8.15 94-93	815-830 95-104 83-85 82-836 74-74 114-114-98 1019-114	8.40-8.50 101 <sub>2</sub> -101 <sub>4</sub>	8.00 9.50			
LONDON MONEY RATES									

Jun 18	Oublin	103-114	112-113	11-11-4	10日-11万	104-11					
Nonth   Nont	LONDON MONEY RATES										
ocal Authority Bonds	Jun 16	Overnight	7 days notice	One Month	Three Months		One Year				
	nterbank Bid sterling CDs	144	14%	144 144 144 144 154 87 81	1412 1413 1414 1414 1414 15 8.28	14% 14% 14% 14% 13% 14% 13%	144				

Treasury Billis Iseli), one-month 14½ per cent; three months 14½ per cent; Bank Billis (sell) one-month 14½ per cent; three months 14½ per cent; Treasury Billis; Average tender rate of discount 14.3572 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day May 31, 1990 a Agreed rates for period June 26, 1990 to July 24, 1990, Scheme 11, 5, 91 p.c., Schemes II & III; 16.44 p.c. Reference rate for period May 1, 1990 to May 31, 1990, Scheme IV&V: 15.201 p.c., Local Authority and Finance Houses seven days' notice, others seven days' lited. Finance Houses Base Rate 15½ from June 1, 1990, Bank Deposit Rates for sums at seven days' anotice 4 per cent. Certificates of Tax Deposit Series 6), Deposit £100,000 and over held under one month 11½ per cent; one-three months 13 per cent, three-six months 13 per cent; anie-twelve months 13 per cent; Under £100,000 11½ per cent from Oct 9,1999, Deposits withdrawn for cash 5 per cent.



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ISE. Other securities listed above are dealt in subject to the rules of TSA.

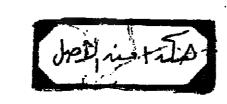
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Companies Exchange Limited nor Granville Davies Limited are market, makers in these

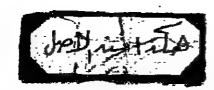
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	FINANCIAL TIMES TO	JESDAY JUNE 19 19	90						Ф Ф 41
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	A CONTROL CONT		### 1286   1286   30   1880   1286   1880	Inhants Plact	Lent Laure	Am Exymax 1,297,500 30% - % Boelog 1,265,600 99 - 1 % Gen Electric 1,293,300 469 - 1 % Bull Samiquettrs 1,167,100 7% - % Chyster 1,137,900 15% - %	Falls 66 854 907 Unshanged 60 548 505 Univ Highs 60 38 37 User Lam. 60 20 29	### ### ### ### ### ### ### ### ### ##	220 780.56 928.82 (4/1) 688.46 (30/4)
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4pm prices June 18

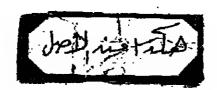
#### **NEW YORK STOCK EXCHANGE COMPOSITE PRICES**

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Southwark Bridge London SEI 9HL

# No FT? No problem in Japan

Keeping up with the news when you travel to the Far East used to be something of a challenge. The world seldom stands still. These days, in fact, just a few hours can be enough to change history for ever.

Happily for FT readers, staying in touch will soon cease to be a problem in Japan.

Because from mid-year, when you

**WORLD STOCK MARKETS** 

# Significant equity market losses after profit-taking

#### **Wall Street**

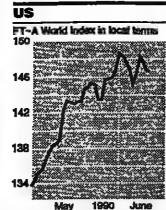
PROFIT-TAKING exacerbated by waves of programme selling and a downturn in the Treasury bond market pushed the equity market to significant losses yesterday although volume was noticeably low, writes Janet Bush in New York.

The Dow Jones Industrial Average closed 53.71 points lower at 2,882.18. This was the third largest daily drop this year but came in volume of only 135m shares. The Dow had closed up 7.67 points on Friday at 2,935.89, a record

Despite the fact that the blue chip index closed at another all-time high at the end of the last week, it has to be noted that the broad market did not share its robustness, Declining issues outstripped advancing shares by 835 to 611 on Friday, an indicator that equities as a whole were somewhat weak. Friday saw a number of weak technical features which

suggested that the market is now finding it difficult to make much headway. Most notably. the Dow Jones Industrial Average far outperformed all other major indices last week which suggests a much narrower silvance for the market than in needed to sustain a further rally. The Dow Jones Utilities and Transportation Averages, both regarded as technical

indicators of the market's overall health, performed badly. The poor technical characteristics of last week's perfor-mance set the stage for yesterday's bout of profit-taking. edly lower. The broadly-based Standard & Poor's 500 index was quoted 4.50 points lower at 358.41 and the Nasdaq Compos-



ite index of over-the-counter stocks was quoted 6.77 points lower at 460.78. Stock index arbitrage plays were clearly on the sell side for the cash market yesterday morning when traders sold the stocks in the \$ & P 500 index and bought \$ &

Also encouraging profit-tak-ing was weakness in the bond market. The Treasury's bench-

16 point lower to yield 8.45 per cent. Weakness in bonds was a continuation of the softness seen last Friday in the wake of a stronger than expected rise in industrial production in May which dampened down hopes of a near-term easing in Fed monetary policy. Another factor in the market yesterday was a feeling that talk on Wall Street had been overdone about the current rally being sustained by end of quarter huying by portfolio managers keen to lower their cash positions before reporting to cli-

Yesterday's selling clearly appeared to undermine this justification for further buying.

SHARE PRICES followed the tone set in New York and closed sharply lower in dull trade. The Toronto Composite

Index sank 49.24 points to close at 3,519.85 with declines over advances 402 to 173. Volume was a scant 17.4m shares, up slightly from 17m shares on Friday and value of trading rose to C\$204.8m from C\$183.0m. Industrial products and financial services were both down by more than 2 pc on index.

products and mining were both down by more than 1 pc.

# **Bourses trade tentatively** as volume remains thin

**BOURSES WERB in a tentative** mood yesterday, with investors concentrating on what could happen next. A slight rise in Frankfurt left the DAX index still below the 1,800 level, while light profit-taking in Milan was viewed as the start of a period of consolidation, writes Our

Markets Staff. FRANKFURT stayed in sensitive territory, the DAX index rising 5.16 but still closing below the 1.800 level at 1.797.42. after a 6.48-point rise to 765.72 in the FAZ at midsession.

Mr Jens Wicking, of Merck Finck in Düsseldorf, said that the market was at a crucial stage: there could be another shake-out, following the break below 1,800 last Wednesday and the weak attempts at a recovery; however, German investors have bought nothing, on balance, for the last three months and a further fail now could be the prelude to a real

Volume stayed relatively low at DM6.2bn. This was up from DM5.5bn on Friday, but it incorporated DM1.4bn for Bayer, imminently ex dividend and the most active stock by a long way: Volkswagen was second on the list, trading in

Bayer, down DM7 DM285.50, and BASF, DM4.50 lower at DM283.50, followed. Hoechst down after the latter's indication of lower 1990 profits last Tuesday. The Bavarian banks were strong: Bayernhypo, up DM15.70 at DM381.50 after a period of underperformance; and Bayernverein on a story about its stakeholdings which gained little credence, but which gave the market

omething to deal on. MILAN fell in reduced volume on selling pressure from domestic investors. The Comit index slipped 0.15 to 757.42. Dealers said profit-taking was inevitable after the recent gains and gave the market a much-needed opportunity to

An article in an Italian newspaper, saying that nearly 30 per cent of total volume in Ital-ian stocks that have listings on London's Seag International was now traded in London, reawakened local brokers' concern that Parliament was being slow to pass proposed stock exchange reforms. This article is certainly an alarm bell of the danger of what might happen if the reforms do not become law," one Milan broker said.

law," One Muan Broker Said.

The steel group, Falck, jumped L643 to L11,699 amid continued speculation of a link-up with Italy's state-owned steel company, Ilva, or Usinor of France. A report by Samurities on Falck's BNP Securities on Falch's intention to exploit its land assets after years of neglect also sparked interest in the

PARIS fell 1.2 per cent, as the fears of a potential rise in capital gains tax continued to hamstring investors. Yesterday there were the additional wor-ries of a rise in domestic bond yields, in the wake of falling West German bond prices, and a weak opening on Wall Street. Selling pressure was light, however, as the CAC 40 index lost 23.54 to 1,988.33 in thin turnover estimated at

FFrl.5bn. The next support level on the index is 1,980, but a leading stockbrokers predicts a fall to about 1,950 before significant

buying emerges.
Declines were across the board, with Michelin losing FFr6.60 to FFr117.50 in the day's largest volume of 417,600 shares, Suez falling FFr7 to

FFr430.90, CGE off FFr10 at FFr614 and Peugeot down

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Constituent change 18/6/90: Deletion: Tozer Kemsley (UK). Hong Kong market closed June 18. Amendments to indices for June 15 applied to The Netherlands and related regional indices.

AMSTERDAM cased in thin trading, pulled down by Wall Street's lower opening. The CBS Tendency Index fell 0.9 to

market were not encouraging, considering that bond yields were at a four-year high, inflation was not coming down, and profits were falling, said Mr Jeremy Goodman of Carnegie International. "This environment, and a view that the Dow is well over-hought, is capping any upside," he said. In addi-tion, a majority of first-half corporate results were likely to be disappointing.

Among the multinational stocks, Philips was steady at Fl 31.90 while Unilever fell Fl 1.70 to Fl 155.80. BRUSSELS attracted broadly

based buying after government statements at the weekend about a closer link between the Belgian franc and the D-Mark. Among the active stocks, Petrofina gained BFr25 to BFr12,675 Intercom rose BFr80 to BFr3,235 and Delhaize picked up BFr50 to BFr6,450.

Fabrique Nationale (FN), the arms maker, continued to fall as confidence in its prospects remained low. It lost BFr37, or 14.8 per cent, to BFr221. The cash market index edged 5.31 lower to 6.279.42, while the forward market index rose 38.17 to 5.578.25.

STOCKHOLM closed mined in sparse trading which seemed to signal the start of the summer iuli. The Affara-världen General index fell 1.8 to 1,270.5 on low turnover of SKr210m. Ericsson free B shares rose SKr6 to SKr1,290 after surging to SKr1,320 at midday, boosted by rumours of an imminent SKr2im to SKr3im Norwegian order for mobile

# South Africa slides on plunge in bullion

MARKETS IN PERSPECTIVE									
	% :		% charge pinding ?	N. OFFI					
	1 Work	i Bab	7. Year	Start of	Short of 1980	Start of 1980			
Austria	- 1.15	+1.07	+68.62	+33.55	+25.03	+33.16			
Belgium	-1.77	+0.11	-2.58	-5.33	-8.49				
Denmark	+1.73	$\pm 4.30$	+11.62	+4.61	+0.88	+6.76			
Finland	-1.19	-2.68	-13.92	-0.33	-4.45				
France	-0.78	-3.80	+ 12.90	-0.76	-4.74	+0.81			
W. Germany	- <u>2.27</u>	-3.76	+25.28	+1,25	-4,40	+1.16			
Ireland	+1.45	$\pm 6.07$	+ 21.57	+2.70	-1.34	+4.41			
italy	+0.48	+4.05	+ 12.87	+7.24	+3.39	+9.43			
Netherlands	+0.06	+1.26	+ 1.11	-3.39	-8.47	~3.13			
Norway	-1.93	-2.44	+21.72	+ 15.12	+10.49	+16.53			
Spain	+0.21	-0.32	-10.85	-6.25	-7.62	-2.23			
Sweden	-1.10	+7.08	+20.02	+9.88	+5.14	+11.27			
Switzerland	+0.38	+4.01	+12.78	+ 2.05	+3.54	+2.67			
UK	+1.04	+5.50	+9.85	- 1.67	-1.67	+4.06			
EUROPE	-0.06	+1.77	+11.40	- 0.08	-244	+2.25			
Australia	-0.08	+2.78	+1,80	-7.03	-13.75	-8.73			
Hong Kong	+0.83	+9.00	+35.24	+12.72	+6.77	+13.00			
Japan	-6.82	-0.16	-6.09	-18.73	-20.36	-24.18			
Malaysig	-3.05	+121	+27.23	-0.35	-6.29	一0.83			
New Zealand	+2.15	+1.23	-1.04	-7.00	-13.85	-8.84			
Singapore	-0.82	+1.42	+22.79	+13.46	+10.16	+16.55			
Canada	+0.14	+.1.25	-2.58	-7.99	-14,10	-9.09			
USA	+1.08	+242	+12.29	+2.54	-3.11	+2.54			
Mexico	-2.76	+5.46	+150.41	±70.83	+52.90	+61.81			
South Africa	-5.36	-9.42	+ 19.56	-1.27	-18.26	-13.50			
WORLD INDEX	+6.05	+1.27	+4.63	-6.86	-13.80	-8.77			
Teacd on June 18th 19 and County Halfford Se	itt. Capy curities List.	diff, The P	The Part of The	as Limited,	Critimus, S	che & Ca.,			

By Antonia Sharpe OUTH AFRICA fell victim to the plunge in gold bul-lion prices last week. Bullion hit four-year lows, and

Johannesburg was the worst performer in the FT-Actuaries World Indices. In Europe, West Germany continued to suffer from worries about the price of German unity, and more disappointing company results. In local currency terms,

South Africa has now lost the gains it made earlier this year; these followed the release of Mr Nelson Mandela in February, and the Government's budget in March which made tax concessions for mining companies wanting to develop new mining areas. The decline in the bullion

price to \$340 an ounce last week had been anticipated by international funds, according to an analyst on South African gold stocks in London. International gold fund managers usually invest up to 20 per cent of their portfolios, worth \$7.8bn at the end of March, in South African gold shares. But in view of the falling bullion price, they had raised their cash position from an average 7.4 per cent at the end of March to an estimated 12 per cent currently. This compares

with 5 per cent last December. While South African gold shares looked attractive in the long term, considering that Australian and North American gold production was set to fall over the next five years, they were likely to remain out of favour for the time being. The decline in the bullion

price had put local investors in Johannesburg and Cape Town in a difficult position. They had bought the market heavily from January to March on optimism about earnings growth, but they were now worried that they had made a mistake, given the fall in the builion price and increasing retrenchments in the mining industry. "There has been a steady

industry will not be bailed out by a depreciation of the rand, since the central bank wants to beat inflation," the analyst

realisation that the mining

While gold's direction over the next few months will be crucial to the market, the start

ment and the African National Congress could halp lift haves tor sentiment. Progress towards a new constitution could lead to a lifting of sanctions, which would not saly help the mining industry, but

also other export industries from steel to fruit and wine. Europe's worst performer last week was West Germany, dragged down by a forecast from the chairman of the chemical company, Hoschet that 1990 earnings could fell by up to 10 per cent from 1989's record levels. "The fact that when Hoechst went ex dividend, it fell the full 20 marks it was worth to German investors, shows that no one wants to own the shares except as a quasi-bond, said Mr. Adrian Phillips of Kleinwort Benson Securities. Furthermore, the size of the problems lacing West Germany in the rebuild. ing of East Germany's delani dated economy were becoming

on a more positive note. Denmark rose 1.7 per cent as it reached record highs, fuelled by merger speculation in the

## Small markets take over from first section

#### Tokyo

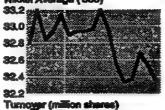
VOLUME SHRANK to its third lowest level this year yester-day as the Nikkei average declined, but buying interest outside the first section was buoyant, with the second-section and the over-the-counter (OTC) markets both hitting records, writes Michigo Nakomoto in Tolque.

The lack of activity on the

first section was unusual even for a Monday. There were few incentives to entice investors into the market and turnover was a paitry 300m shares, down from 450m on Friday. The Nikkei closed 161.60

#### Tokyo

Nikkei Average (1000)



0.8 rose slightly in the morning,

but they declined later on small-lot profit-taking. The index fluctuated between a high of 32,634.35 and a low of 32,306,32. Declines swamped advances by 632 to 300, while 190 issues were uncl The Topix index of all listed stocks drupped 15.28 to 2,881.08 and, in London trading, the ISE/Nikkei 50 index cased 0.77

Worries about the yen and interest rates have dampened enthusisam in the first section. The US had seemed to be on the verge of easing monetary policy, but analysts are still divided over whether it will do so. As for domestic interest rates, the outlook is still blenk,

particularly as this week sees the release of money supply figures for May which are expected to be high.

The picture is likely to remain uncertain while the Congress of the Communist

Party of the Soviet Union and the monetary union in the two Germanys take place.

In this climate, interest in large capital issues could not be sustained, said Mr Tetsuya Fukami at Shearson Lehman Hutton. Investors, therefore, turned to the smaller markets, underlined by the all-time highs reached by the secondsection TSE index and the CTC

stock index. Investors also picked the small issues on the first sec-tion that have good earnings prospects and greater price movements. Among the smallcapital winners was Namura Shipbuilding; it rose in con-trast to the larger shipbuilders, which have been weak in spite of expectations of strong earnings. Namura gained Y100 to Y1,480, while Mitsubishi Heavy Industries fell Y10 to Y1,060 in active trading.

Drug companies were also actively pursued, with Dainippon Pharmaceutical topping the actives list with 8.4m shares traded Interest tends to shift to pharmaceuticals when

the outlook for the currency and interest rates is uncertain. A forthcoming conference on cancer also helped to to draw sitention to drugs.

Dainippon spurted Y160 to Y3,370 at the opening on talk that it was being supported by speculators. Investors were also optimistic that Dainippon would report on its research at the cancer conference, which starts on July 3. Dainippon closed Y30 higher at Y3,240. Enthusiasm for environmen-

a plant engineer with strength in environment protection equipment, rise Y80 to Y2.650. It came second in volume terms with 6.5m shares traded. A fall in large-capital issues pulled the OSE average in Osaka 117.04 lower to 35,571.57. Volume fall to 44m shares from Friday's 56m.

tal issues helped Chiyoda Corp,

#### Roundup

THE UNEXPECTED endurance of Manila's recovery was the main feature in the region yes-terday. Hong Kong was closed for a holiday.

MANUA built on last week's 15 per cent recovery in the composite index, surprising ing profit-taking and a down-ward technical correction. The lull in political strife in the Philippines saw an absence of sellers in the market.

The index rose 32.53, or 3.6 per cent, to 920.51, still below the half-way mark between its June 6 low of 740.31 and its March 21 high of 1,160.70. How-ever, volume fell from 186m pesos to 117m pesos. SEOUL, conversely, contin-

ued a two-week decline with a 17.63-point fall to 756.39, leaving it 7.1 per cent down from the 814.40 of June 4. Volume was thin at 102.5bn won.

South Korea's political climate is uncertain: the National Assembly's extra one-month session, which opened yester-day, is expected to be plagued with inter-party friction; and the Korea Foreign Trade Asso-ciation has forecast that the nation's trade deficit will reach \$5.5bn this year, far wider than

the original 22bn projection.
AUSTRALIA firmed aligntly
as the gold sector recovered some of Friday's 3 per cent fall The All Ordinaries index rose 3.5 to 1.506.0, and the gold marker gained 17.2 to 1.270 as bullion rose by \$3.50 to \$349.10 on the day. NEW ZEA-LAND was narrowly mixed in quiet trading, the Barclays index rising 1.52 to 1.811.48 after a gain of 39.34 points, or 2.2 per cent, in the previous

TAIWAN, by its own volatile standards, staged a modest rebound on bargain-bunting the weighted index closing 160.61, or 2.7 per cent, higher a

#### SOUTH AFRICA

GOLD SHARES recovered slightly after last week's plunge, as the builton price rebounded. But a stronger financial rand kept a lid on gains. Vaal Regis rose **E4.50** to 268.50, while De Beers put on 60 cents to B93.50.

#### FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

MATIONAL AND SECONAL MARKETS	E18		MONDAY JUNE 18 1880						FRIDAY JUNE 15 1800				DOLLAR INDEX			
figures in parentheses thow number of stocks er grouping	US Dollar Momi	Dey's Change %	Pound Berling Index	Yen Index	DM Index	Local Common Index	Local % dag on day	Gross Div. Yield	US Dollar Index	Pound Starting Index	Yan Index	DM index	Lacal Currency Index	1200 High	1980 Low	Ywe ago (approx
lustralia (50)	138.96	+0.6	120.23	135.01	121.08	118.63	+0.1	5.87	138.17	120.04	134.63	121.62	118.46	158.31	125.85	131.3
lustria (19)	243.45	+0.3	210.85	236.54	212.14	213.06	-0.3	1.27	242.62	210.79	236.42	213.5B	213.64	265.63	193,15	121.9
elgium (61)	150.58	+0.5	130.28 118.19	145.28	131_20	128.48	-0.1	4.48	149.79	130.14	145.95	131.84	128.55	160.02	132.11	128.2
Canada (119)	136.60	~ 1.3	225.18	152.71	119.02	115.第	-1.3	3.52	138.34	120.19	134.80	121.76	117.46	153.61	130.37	139.0
Denmark (33)	260.23 136.41	+0.6 +1.2	118.03	252.89 132.54	226.75 118.86	226.60 113.55	-0.1	1.27	258.60 134.80	224.67	251.99	201.02	226.77	290.02	236.69	194.
Inland (26) rance (125)	155.93	~02	135.78	152.45	136.73	138.71	+0.8	2.41 2.98	157.30	117.11	131.36	118.65	112.72	152.29	129.99	141.
Vest Germany (93)	127.54	+1.9	110.35	123.98	111.13	111.13	+0.9	201	125.16	108.74	153.26 121.97	138,44 110,16	140.52 110.16	168.85 137.71	141.80	117.
long Kong (48)	132.39	+0.0	114.55	125.63	115.87	132.30	+0.0	4.74	132.36	114.99	128.97	116.51	182.30	132.47	122.05 112.24	87
reland (17)	190.51	+0.5	164.83	185.09	166.00	167.93	-0.7	261	189.55	154.68	184.70	188.64	189.10	190.07	172.72	97. 132.
aly (96)	100.65	+0.9	94.00	105.55	94.66	99.82	-0.2	2.36	107.71	93.57	104.94	94.80	99.96	108.85	91.85	83
apan (454)	148.98	-0.5	120,20	144.74	129.83	144.74	-0.7	0.58	149.66	130.02	145.83	131.74	145.83	197.26	124.40	170
Malaysia (35)	226,18	-0.4	185.70	219.74	197.07	238.20	-0.4	2.29	227.15	197.35	221.33	199.98	297.21	245.32	204.15	179
Aexico (13)	504.65	-42	436.64	490.30	439.70	1571.12	-4.0	0.33	526.65	457:55	513.17	463.55	1638.16	549.86	324.53	247
letherland (43)	139.47	+0.3	120,60	135,50	121.83	120.09	-0.8	4.69	139,11	120.86	135.55	122,45	121.02	145.66	130.43	118.
lew Zealand (17)	65.99	+0.4	57.10	64.12	57.50	60.15	+0.3	7.87	65.72	57.10	64.04	57.85	59.96	75.36	59.57	85.
lorway (23)	231,57	-0.9	200.36	224.99	201.78	203.51	-1.2	1.51	233.69	203.03	227.72	205.70	205.94	245.90	202 34	172
ingapore (25)	206.72	+0.1	178.86	200.84	180.12	176,04	+0.0	1.92	208.60	179.49	201.31	161.84	176.04	207.93	179.70	159.
South Africa (60)	175.63	+3.4	152.14	170.83	153.21	151.03	+0.6	3.94	170.00	147.70	165.65	149.83	150.14	251.39	170.00	141.
pain (42)	160,77	+0.8	129.11	158.20	140.09	126,12	-0.5	4.22	159,44	138.52	155.37	140.34	128.71	165.19	132.84	149.
weden (34)	214.90	+0.6	165.97	208.82	187.28	193.85	+0.2	2.09	213.70	185.86	208.23	188,10	193.45	217.57	173.89	162
witzerland (66)	103,77	+0.6	<b>80.79</b>	100.83	10.44	91.13	-0.7	2.27	103.17	89.64	100.54	90.82	91.79	104.31	86.75	78.
Inited Kingdom (304)	104.44	-0.4	142.28	159.75	143.27	142.28	-0.8	4.76	165.15	143.48	160.91	145.35	143.48	188.11	139.87	137
	744,40	-1.6	124.04	140.30	25.83	144,40	-1.6	3.36	148.69	127.44	142.94	129.12	146.69	148.55	130.61	131.
urope (982)	147.42	+0.3	127.56	143.23	129.48	127.63	-0.6	3.57	147.00	127.71	143.23	129.30	128.25	147.76	135.57	116.
	205.80	+0.5	178.06	188.95	179.32	175.17	+0.0	1.72	204.87	177 99	199.63	180.32	175.23	206.98	185.01	158.
		-0.4	128.01	143.75	126.02	143.08	-0.7	0.90	148.55	129.06		130.75	144.07	192.75	124.53	168.
	147.95	-0.1	126.07	143.91	128.07	137.34	-0.6	1.98	148.31	128.85	144.75		138.17	174.18	190.95	146.
uro - Pacific (1641)	148.13				125.35	142.31	-1.5	3.37	146.08	126.92	144.50	130.53				
	143,83	- 1.5	124,45	139.75			-0.2	2.78	134.70	117.02	142.36	128.60	144.75	147.87	131.02	131.
urope Ex. UK (678)	135.73	+0.8	117.44	131.90	118.30	118.57		5.08	134.76	116.91	131.27	118.58	118.86	139.50	124.81	102
acific Ex. Japan (205)	134.97	+0.3	116.78	131.15	117.81	120.77	+0.1				131.14	118.45	120.88	130.32	122.53	116.
forld Ex. US (1833)	148.22	-0.1	128.25	144.02	129.16	137.12	-0.6	2.05	148.42	128.94	144.68	130.64	137.98	173.77	131.30	146.
	143.92	-0.6	124.52	139.83	125.41	139,12	-1.0	2.24	144.85	125.85	141.15	127.51	140.47	162.00	130.80	140.
	145.55	-0.7	125.93	141.42	126.83	139.31	-1.0	2.49	148.50	127.28	142.77	128.96	140.85	161.84	131.95	139.
forld Ex. Japan (1916)	145.50	-0.7	125.89	141.38	126.80	136.85	-1.1	3.52	148.55	127.32	142.81	129.01	138.30	147.88	134.62	125.
						139.39		_	146.65					162.05	132.25	139.

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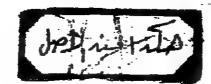
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# A FINANCIAL TIMES SERIES: Part 7 EUROPEAN FINANCE AND INVESTMENT

# WEST GERMANY



Changes are required in West Germany if the best is to be made of opportunities facing a country heading for

reunification at a time of economic and political integration in western Europe. Many business practices are not progressive enough to cash in on the situation, Katharine Campbell warns

### A break with the past

A REUNFIED Germany faces profound change as it stands at a crossroads between the collapse of communism in the East and growing economic and political integration in

and political integration in western Europe.

One pressing question, which seems to be insufficiently tackled in Frankfurt banking circles, is how well equipped West Germany is to act as the financial power-to-stoke the liberalisahouse to stoke the liberalisa-

ion of eastern Europe?

In pure economic terms, there is little question that the robust West German economy is well placed to bank roll the

developments in eastern Europe, and particularly in East Germany.

The gross national product in 1989 reached DM2,260bn, while the total wealth of West German households at the end of the year stood at DM2,805bn

of the year stood at DM2,805bn – about DM45,000 for every man, woman and child.

Bonn has projected 4 per cent growth in the economy this year, included a 1 per cent dividend from East German supply and demand factors, and 3.5 per cent in 1991.

Inflation is well below 2 per

Inflation is well below 3 per cent, and the D-Mark is generally strong. But the process of adjust-ment, as the dilapidated East German economy limps along the treacherous road towards integration with the west, will

be fraught with dangers,
This process is looming large
with the start of monetary and
social union from the begin-

rebuilding East Germany have rebuilding East Germany have become almost meaninglessly large and the steep rise in government bond yields demonstrates that development capital will not come cheap.

Modern and efficient capital markets, to smoothly transfer funds from official and private sources, will be crucial in inspiring international confidence.

In this field, Germany still lags well behind other leading financial centres.

For example, even after the fundamental revaluation that has occurred in the stock market since the Berlin Wall was breached last November, its overall capitalisation still only represents 5 per cent of world

This seems absurdly out of kilter with the nation's industrial might. Price movements in the gov-

The need for more open thinking and the pressures of conformity give some institutions

watched, not in Frankfurt, but in the London futures markets. And in spite of an increasingly international veneer, some business practices in Frankfurt remain surprisingly

provincial.
There is still no insider trading regulation for instance and "Chinese walls" between pro-prietary and client trading are lacking in most bank dealing

The DG bank fissoo, which revealed a special case of inter-nal management chaos, also demonstrated that certain rules, observed as a matter of course elsewhere, such as taping dealers' phone conversa-tions, are far from automatic. Estimates of the price of The host of economic and pay-

few years, slowing up the pro-cess of liberalisation.

Long before the political upheavals of recent months, Mr Karl Otto Pöhl, president of the Bundesbank, made an important speech which char-acterised the central bank's increasingly proactive thinking about the promotion of West German financial markon.

"From the discussions about what must be changed in (the

also serve to reinforce old defensive attitudes in the next few years, slowing up the pro-

what must be changed in (the Federal Republic)...I some-times get the impression with us the question is phrased the opposite way around: How can

opposite way around: How can the status quo be maintained, at any price?" he said. Institutional changes seems to be done half-heartedly, and are quite often not welcomed. The steep rise in the Govern-ment's projected borrowing ernment bond market are programme will necessitate

difficulty with their European-wide ambitions

alterations to antiquated issuing procedures. Experiments with a part auction system are

already under way.
But resistance to bypassing the highly profitable, but not always efficient bond consortium, is formidable. Again, the internationalisation of certain markets is sometimes frowned on as a loss of control. The London futures market has made cash government bond trading a little too lively for some tastes.

"We're losing interest in the bund future," a Hamburg cen-tral banker says, "because we feel we cannot control the mar-ket any more."

The tensions between the need for more open thinking

and the pressures of confor-mity and tradition give some-institutions difficulty with their Europe-wide ambitions in relation to their domestic posi-

Developments in East Germany, at least in the next few years, are likely to reinforce existing structures. One small but pertinent example. Bankers are hoping that the abolition of turnover tax at the beginning of next year will be the cue, finally, for the devel-opment of a short-term money market, curiously absent to data. Yet one important prereq-uisits is that minimum reserve requirements should be lifted on term develts.

on term deposits.

While the Bundesbank is while the Bundesbank is acutely aware that the reserve requirements represent a direct subsidy to offshore centres, notably Luxembourg, any relaxation would be regarded as giving false signals to the market.

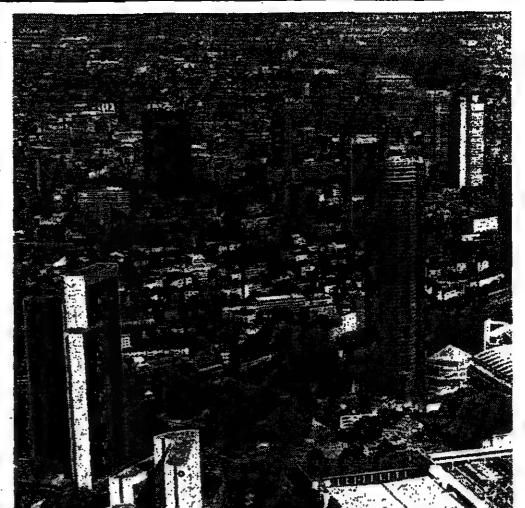
At a time when the Bundenbank is fighting to establish its authority, over the East German economy, and is also auxiously watching the increasing use of the D-Mark throughout eastern Europe, it is highly unlikely to give any ground on one of its most cherished tools of monetary policy.

Psychologically, the next few years are unlikely to be a period of great experimentation. Germany, for instance, still largely lacks an equity culture, and a period of potentially disruptive change is not a very promising breeding ground.

It has been foreign, not

It has been foreign, not domestic investors who have largely been responsible for more than doubling stock

exchange turnover this year compared with last.
Indeed, German investors, unsettled by the mini crash last October, were net sellers in the final quarter of 1989, just as the market was entering a



ommercial might: Europe's tallest office building, the Messelum, with 55 store a latest addition to the banking district in Frankfurt, West Germany's financial cer

phase of record growth.

Almost 25 per cent of private household savings are still lodged in traditional low interest savings accounts; only 6.6 per cent are invested in shares.

East Germans will not be encouraged to invest their meagre savings in the stock market; nor are a host of East German firms, struggling for survival in the rigours of a market economy going to significantly swell the ranks of linest section.

limbed stocks. Geographically, the West German financial centre is likely to stay in Frankfurt, Farben in north-west Frank-

rather than move to Berlin as the capital of a reunified Ger-many. The infrastructure is in place. It would take years to recreate in cramped Berlin. Political sensibilities generfurt may soon be abandoned by 60,000 American army officers. The rambling old building is capable of accommodating a

ally rule out locating the Eurofed as a future nerve centre of EC finance in Berlin.
The West Cermans have not only firmly set their sights on luring the future European central bank to Frankhurt, they

have even earmarked a building for it.

The former home of the pre-1945 chemical conglomerate IG

ers.

This progression has a symbolic relation to the historic political and economic changes

pointest and economic changes engulfing Europe in general, and particularly Germany. But for any of it to benefit Germany, attitudes will have to shift. If not, the West Ger-man financial market place will fall to make the most of the opportunities which it so fortuliously faces.



man Finance Minister, Advocating uniformity in the insur-

■ Monetary capacity for reuni fication; the role of Bonn's

**E** East German banking; equi

ties look for a boost Commercial bank prespects Frankfurt as a business cen-

re: derivatives trading

■ German insurers slow to

The Bundesbank and mone ary reform; moves to expand



Mr Karl Otto Põhl. Bundes faces biggest chal lenge sinc

While you may still be in the process of getting to know Germany 🔻 🔻

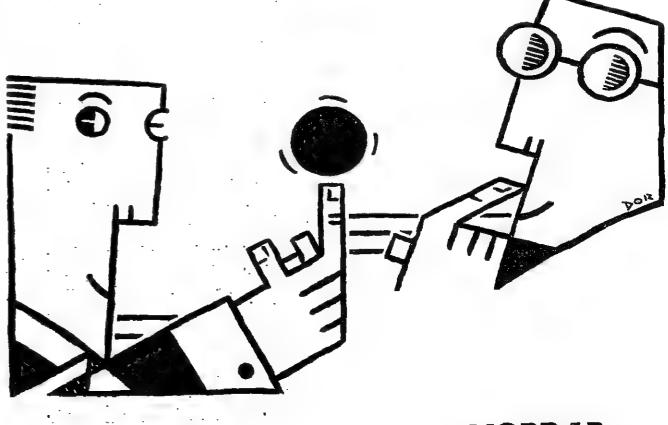


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#### FIXED INCOME

# Savings in big demand

THE TALK on West Germany's Loan commitments by one thing how the redevelopment of East Germany is to DM billion be financed after unification.

Most bankers in Frankfurt argue that Germany will be able to take the financial strain 15 with ease in spite of a historic rise in short term interest rates and a decline in bond values 10 sparked by inflationary fears over reunification.
The Bundesbank has one

main argument. It argues that West German savings, at DM150bn a year, are running at a rate of about DM100bn a year more than is required to finance German companies.

This excess is expected go a long way to meet the needs of East Germany, which is estimated by different sources to need between DM500-800bn over the next 10 years. International demand for

German savings, however, means that interest rates will remain high as competition The picture will become clearer this summer as East Germans are given DM100bn in return for their savings.

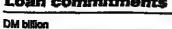
If they save the money, part of the redevelopment cost will be covered, but if they spend it, although the Bundesbank points to the country's current ccount surplus of DM100bn which could soak up East Ger-man demand with ease.

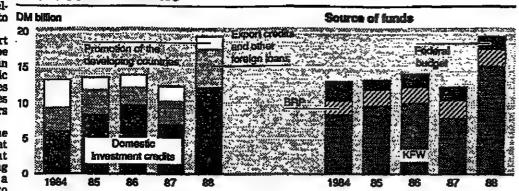
The redevelopment funds will be raised through issues of the German Unity Fund, with the Bundesbank acting as agent. The Bundesbank already handles about eight issues a year, and says it can comfortably replace one or more of these with a unity fund issue, with its federal republic guarantee, as needed.

The unity fund will help to focus attention on an aspect of the government bond market which is ripe for change — the procedure for new issues. A number of banks take part

in a consortium through which they are allocated a fixed quota each time an issue takes place. This has been slightly relaxed to allow 20 per cent of each issue to go to foreign banks. But the Bundesbank

wants more change. Earlier this year, it experi-mented with a tender system for floating rate issues and is preparing to try its first tender





for fixed rate bonds. No timetable has been announced for the first issue, but the bank expects to use it as a mainstay of its issuing procedures if it is

The consortium will not dis-appear overnight. The Bundesbank seems acutely aware of its historical reliance on this system. Its first small issue of DM50m in 1951 would have failed had the banks not grudgingly agreed to the consortium. It says there is room for a mixed system involving both the consortium and tendering,

ing DM11bn worth of their bonds in 1988, they issued a net DM52.5bn last year.

A plan to end the need for companies to obtain approval before making domestic bond issues, although not affecting hanks, could encourage more industrial companies to issue bonds in the domestic bond market rather than resorting to the Euronunket.

interest rates last autumn ate into bond values, but the damage to the banks' massive bond portfolios is not easy to judge.

The Bundesbank argues that West German savings are running at about DM100bn a year more than is required by German companies

with a further outlet in a tap One factor which is likely to change, however, is the rule under which fees paid to consortium banks are clawed back if bonds they have been allo-cated are bought back by the

Bundesbank within a year of issue: a sign of their failure to successfully place the bonds. This is expected to lead to new and lower fees for consor-

Meanwhile, sales in the com-mercial bond market have recovered after the disastrous effect of the short-lived 10 per cent withholding tax which was abolished last summer. Sales of domestic bonds rose last year to DM78.5m from a low DM350n in 1988.

Strong lending growth encouraged banks to have a lot to do with this. After redeem-

Since their investments are carried at cost, tather than market value, a downturn is only noticeable to the extent that it takes current values reported write-downs of only DM200m or less for the big

Also damaging for the banks was the fact that bond trading crept up just 4 per cent during the year, to DM1,916bn although the leap in equity trading made up for what would otherwise have been a lacklustre performance on

The different growth rates of bond and share trading were significant. Equities' share of total trading jumped from 28 per cent to 42 per cent in a market traditionally dominated by fixed income securities.

• Meanwhile, expectations are

high that Germany will soon acquire a short term money market. Bankers say two changes will cause this.

The first is the abolition of the stock exchange turnover tax at the start of next year. The tax has reduced demand for money market instruments like certificates of deposit and floating rate notes and has effectively prevented their

The second change is the abolition of the 4.95 per cent minimum reserve on time deposits which makes money market rates unattractive.

Without this change, the Bundesbank will simply encourage the growth of an off-shore D-Mark money market. But the Bundesbank is offering no hope of an early relaxation of the reserve

it agrees that national monetary conditions become increasingly difficult to control as borders come down in west-ern Europe, but says that this is an argument for Europewide agreement on credit pol-icy, not relaxing internal monstary constraints.

says minimum reserves will stay until this agreement is reached. Bankers say this position may soon change. They say the Bundesbank is

merely trying not to give mar-kets the impression that it is loosening credit policy while interest rates are high. When interest rates fall, a change may be considered. However, given the noises coming from the Bundesbank,

this may be largely wishful

**Richard Waters** 

Reunification has restored the role of Bonn's development bank

# A bank for all seasons

THE TURN of events in East Germany has seen the Kreditanstalt für Wiederaufbau (KfW) bank come into its own.

The "loan corporation for reconstruction" has again found its lengthy name highly descriptive of its purpose.

Set up in 1948 by Hermann Josef Abs, the grandfather of modern German banking, it served as the prime conduit for Marshall Plan aid to rebuild war-torn West Germany.

Now the KfW is channelling official funds earmarked for the creation of a flourishing private sector across the eastern border.

However, the KfW is keen to stress that its new role is very much an extension of existing activities, and that the esti-mated DM50bn in long-term loans it will extend to various sectors of the East German economy in the next three to five years will not involve significant new risks for the bank or its bond holders.

KfW officers have been besieged by applications from East German enterprises for the first round of money allocated by Bonn earlier this year. They are busily approving loans destined to nascent prirate enterprises, ranging from a tailor requiring a DM2,000 sewing machine, to an organ builder in Saxony wishing to repurchase the family firm appropriated years ago by the

Mr Gerhard Göette, one of five managing board members, says the bank has been over-whelmed by initial demand for what was originally intended

as a four-year programme.

It had to stop distributing the much-needed funds for five weeks from mid-April while it persuaded Bonn to bring forward the entire DM6bn for dis-

tribution this year.

The KIW's unusual role is partly due to its hybrid structure. Its DM119bn balance theet makes it one of the largest banks in the country, yet it comes under the aegis of the Ministry of Finance, not the banking regulators, and pays no taxes and no dividends.

Im 950 staff are concentrated in a single complex overlooking the leafy botanical gardens in Frankfurt, with only a tem-porary representative office in Rant Berlin.

It needs no branches because the KfW largely relies on the to solicit applications and later distribute and service some 30,000-40,000 credits extended

The bank receives only a proportion of its funding from Bonn, and hence regularly taps both the domestic, and increas-ingly, the international capital markets, issuing paper that carries a federal government

guarantee This is the only paper you can buy denominated in yen or Swiss francs that carries the guarantee of the bund," remarks Mr Gerhard Lewark,

treasurer of the KfW. This year he will manage a borrowing programme estimated at between DM16 and

DM17bn Officials say the develop-ment bank's work abroad will not be disrupted by the events in East Germany. Last year KfW distributed

federal government loans and grants worth DM3.3bn to developing countries. A further DM5.6bn went in export loans for German suppliers to the underdeveloped world, particu-larly in shipping and aircraft (notably Airbus).

Within Germany, one of the biggest programmes has been support for small and medium-sized companies, enhancing the international competitive-ness of the so-called "Mittelstand" at the core of the Gernan economic machine.

Last year DM7.3bn worth of went in this direction and the extension of the pro gramme to East Germany will mean a considerably higher

figure this year.

The Mittelstand loans were not funded by the KfW, but through the so-called European Recovery Program Special Fund (ERP)

With total assets of more than DM20bn in 1989, the fund is an extension of Marshall Plan aid, which, as well as providing foreign exchange for German-US trade straight after the war, also promoted long-term capital investment. German firms had to pay the D-Mark equivalent of the trade support they received into this fund, which became a separate

German legal entity in 1953. Entirely independent from the federal budget, this base, supplemented by modest levels of capital market borrowing.

commercial banking network reconstruction and promotion to solicit applications and later of the West and now pan-Ger-

One of Bonn's first contributions to financing East German reconstruction was to approve an additional DM6bn for the ERP programme. More than half goes to the KfW to distribute, and the bank says it has approved about 6,000 applications, worth DM750m, mostly directly to East German enterprises, but a proportion for

across the border. The pressing demand for funds has meant that, for the moment, only firms with a yearly turnover under DM50m will qualify for the loans at the subsidised rate of 7.5 per cent.

West German firms with plans

But a little goes a long way, according to KfW economists who reckon that every DMim investment produces as many as 22 new jobs in the fledgling

The Frankfurt staff has been busily training workers in East German savings and co-operative banks in the basics of distributing the funds, but one KfW official lamented that, hampered by the still-creaking bureactacy, applicants were not getting their money quickly enough.

While the credit risk for these D-Mark denominated loans formally lies with East German banks, KfW also secured full guarantees from

the primary West German institutes, the Deutsche Genossenschaftsbank, responsible for the co-operative banks, and the Deutsche Girozentrale for the

savings institutions. As soon as West German banks receive licences to operate across the border, they will

also be involved in the programme. The bank has also been trying to extract from Bonn funds for the state enterprises which,

following monetary union, will face severe liquidity shortages. The bank does not wish to directly assume the risk, and is looking for a capital increase or some form of federal guarantee for a sum of at least

East German involvement will not, at least this year, involve the bank in a higher funding programme.

Discussions are already under way, although officials are waiting on such crucial tools as opening D-Mark balance sheets following currency union before the money can actually begin to flow.

Rated AAA by both rating

agencies. KFW still has to pay a premium for its relative obscurity on the international stage. Its East German involve ment, rightly or wrongly, will not make its marketing task

Katharine Campbell

#### KEY FACTS 248.6 (thousand sq km) Head of Stale ... Currency . Average Exch Rate ,...... 1988 1,067.23 1,147 06 Real GDP growth 20.311 N.A GNP per cap 324.48 247.77 imports F.O.B..... Current Account Balance.... 50.43 3.9% Total reserves minus gold (US\$ bn)..... 58,528 80,709 Gold reserves (US\$ bn)..... Budget Deficit as % of GDP. 0.72% onal savings ratio... Source: IMF, Economist intelligence Unit, Datestream

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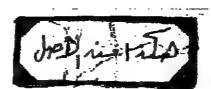
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West German banks are rushing into East Germany

# Rebuilding a sector

THE WEST German banks are jockeying for positions with the reconstruction of the East German banking system.

A sign of the times is the

move by Bundesbank, the West German central bank, into the headquarters of the pre-1945 Reichsbank in East Berlin The old communist state

monopoly is crumbling and its constituent parts are being eagerly absorbed by western banks. So the foundations are being laid for an extension of the West German system on the other side of the border. Banking in communist Rast Germany was a very simple matter. The country's savings were collected, largely through the network of 196 savings banks which paid a virtually uniform rate of 3.25 per cent. Credits were then distributed, almost exclusively to industry, via the Staatsbank industry, via the Staatsbank (state bank), at a cost of

between 4-5 per cent.

Almost every bank in West
Germany wants to be represented across the border. For starters, the market promises about 16m new retail accounts: an additional 25 per cent of the domestic market. Leipzig alone is processing 100 or more appli-cations for banking licences.

Several big banks say they are aiming for a market share generally equivalent to their strength at home, but it is clear their expectations are

Indeed, the fight for customers has already begun with a vengeance.

Commerzbank, West Germany's second and third large est banks, have announced they will run their customers' current accounts free of charge for the first year. The country's largest bank, the Deutsche Bank, has not yet made any announcements in this area.

An outstanding danger is that this sort of competition on the loan side could lead to sizeable losses in a place where credit assessment will inevitably be rudimentary, to say the least, for the time being.

As the big banks jockey for

position, various strategies have been considered. In order to speed up establishment, the banks have shown inevitable preference to be associated with an existing institution.

As its competitors note, with an air of *dėjė vu*. Deutsche Bank has managed to muscle its way in to pick off what appears to be the cream of the Deutsche Kreditbank branches - in number about 118 of the

a joint venture with the Kredit-bank, the commercial part of the old Staatsbank, hence neatly avoiding responsibility for some DM130bn worth of corporate credits which remain, for the present, on the East German bank's balance

It has instead acquired branches in strategic locations - when office space, even of the lowest quality, is almost

Both Dresdner Bank and impossible to come by — and ommerzbank, West Ger- staff, some of whom will have

useful contacts.

Dresdner Bank is also nego-

Dresdner Bank is also negotiating with Kreditbank, and says it will probably take over at least 60 branches from the old network, with an emphasis on the Dresden region.

The old foreign trade bank, on the other hand, has responded to the overtures of Westdeutsche Landesbank, the largest regional public sector institution, to create the Deutsche Industrie-und Handelsbank (DIHB), a 50-50 joint venbank (DIHB), a 50-50 joint venture. It will engage in export finance throughout eastern Europe, as well as corporate and local authority lending in

and local authority lending in Rast Germany.

WestLB, which had been starting to build its own network, will operate out of DIHB and its existing offices.

Meanwhile, Commerzbank is making the best of its independent strategy, solving the problem of lack of buildings in places by operating, at least for a while, out of large containers. a while, out of large containers ("very respectable two-storey ones," according to one rather defensive official).

Its staff say in private that they are so able to avoid any taint of the old regime.

The most immediate, and cartainly least enviable, tack falls to the savings banks, which, with about 80 per cent of the country's savings accounts, are not equipped to deal with the mammoth task of converting 12m or so accounts

Hundreds of East Germans. well practised in queuing, are again lining up to place their applications for the prized D-Marks that will be legal tender from July 2.

West Germany's savings banks, although prevented by law from operating outside their own regions, are sending personnel and some of the basics in office equipment, both to help in the short term problem, and to provide longer-term assistance to their sis-

For many months, banking business in East Germany will largely be a question of "flying blind." Even basic information is not available.

For example, as Deutsche discovered that the Kreditbank does not know how many branches it has. Manifold legal uncertainties persist, most notably in the area of property rights. The Staatsbank in East Berlin, for instance, is not sure who owns the building inhabited by Dresdner before the In the midst of such uncer-

tainty, credit institutions will be under pressure to provide liquidity for companies for which there may be no balance sheet. The worth of their assets as security or otherwise will be mknown, and so their pros-pects in a market economy will be subject to guess-work. It will be an uncomfortable market in which to be battling

Katharine Campbell

Richard Waters on the share market's struggle to gain ground

# Foreigners force changes

IN SPITE of the leap in turnover in German equities last year, the country has not turned into a nation of share-

holders overnight. Last year, private sector savings topped DM150bn, but only about DM10bn, either directly or indirectly, reached the equity market.

Both the demand for and

supply of equities remain slight relative to the size of the German economy. Institutional little sign of picking up. Insurance companies,

insurance companies, a mainstay of the equity market in other countries, have just 5 per cent of their assets in shares. They are allowed a 10 per cent ceiling.

Company pension funds, already reduced in importance due to the high level of benefits under the social security system, remain locked in companies' balance sheets. Many say this pension fund money. say this pension fund money, reckoned at DM200-300bn, could transform the equity market. But little change is likely without alteration of the

tion tax, and an accelerated writing-down allowance for capital investment, it makes sense for companies to retain money rather than invest it in

the capital markets.

That may look medicient to an Anglo-Saxon mind, which is trained to believe that capital should freely flow to wherever it can be used most efficiently.

Many Germans, however,
point to the successful investment record of their companies

ment record of their companies

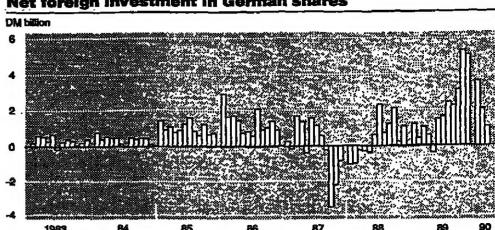
- DM400bn last year, 30 per
cent of it funded internally.

This financing pattern,
established after the Second
World War, when almost the
only funds available to a company were those it generated itself, shows no signs of being broken. It is supplemented by an older and equally entrenched pattern - that of the long-term financing pro-

vided by German banks.
Without local institutional money, the equity market is frequently driven by foreign institutions — as happened in the strong buil run which began last autumn.

Foreign institutions invested a net DM26bn in 1989; two thirds came in the lest three months of the year due to hopes of German unification.

Net foreign investment in German shares



German shareowners, in contrast, were selling to the tune of DM18bn. This was in part due to loss of confidence over last October's mini-crash, in which the German stock mar-But the reliance on foreign

money makes Germans ner-vous. Foreigners were net sell-ers of German shares in the 1987 stock market crash, prov-ing that this money can move out as quickly as it moves in. German intermediaries are looking to private investors,

hoping for an increase in the 3-5 per cent of personal wealth transitionally held in equities. Many point to the wave of inheritance that is washing inheritance that is washing across the country. As the post-war generation passes on, hard-earned, cautiously invested money is being left to a new generation.

These people, according to the popular view, will take greater risks with their money than their parents. The equity and derivatives market could benefit as a result.

benefit as a result. Yet there is little evidence to

date to support this widely-propounded theory. According to Mr Ulrich Ramm, economist at Commerzbank: "It's more an expectation than a reality at

Two factors could boost demand for German shares. According to Ms Ute Geipel, head of investment manage-ment at Citibank in Frankfurt, mutual funds, which have little of their DM120bn invested in equities, are set to change their

investment habits as products from other EC countries become locally available. Competition is likely to provoke the sort of performance comparisons between funds

comparisons between funds that has hardly been seen before, forcing German funds to move away from the safe but unexciting fixed income markets they tend to use.

The second boost could come at the start of next year with the end of stock exchange turn-over tax. This is a quarter of a

per cent each time a share is bought or sold. While local demand for equities remains slight, the supply has yet to pick up. At the end of 1989, there were only 316 listed companies in Frankfurt, the largest of the eight interest of more than a quarter exchanges. During the year, 26 companies went public - a sign of growing interest in of their shares.

equity finance, but hardly a rush given the pool of 400,000 private companies which form the backbone of the economy. Growth in equity investment is therefore likely to be slow. But as it develops, the glacial shift of power within the financial system towards shareholders, traditionally second-class citizens of the financial scene, should pick up momentum. One of the most obvious restrictions on shareholders'

rights has been the ceiling placed by many companies on voting rights. Deutsche Bank has declared its opposition to such restrictions - a move which Dresdner at least has supported. This may seem ironic, given restrictions placed on Deutsche's own shareholders and Dresdner's attempts this year (they were blocked by a court) to limit any individual shareholder's votes. However, it is a sign that attitudes at the banks are

at least changing.
The number of companies with such restrictions is difficult to gauge.

According to a survey by Baring Securities, it is more than half, although others put the proportion much lower. What is clear that it would be hard to gain control of a company by hostile means, since many of those without voting rights have shareholders who control a blocking

Without a free market for corporate control, shareholders lack the ultimate sanction of selling to a competitive bidder.

Many expect shareholder
power to increase, with the concomitant rise in contest takeovers.

According to Mr Barthold von Ribbentrop, executive in charge of Deutsche Bank's investment department, it is the power of foreign institumarket that is forcing these changes.

German financiers seem to accept that the changes are necessary if the country is to build a thriving equity market. But many doubt that such moves will reinforce the finan-cing system in the long run.

# O U R HOME MARKET

The union of Morgan Grenfell with Deutsche Bank has created the most powerful force in European M&A. Morgan Grenfell is responsible for the M&A activities of the combined group throughout the world. In Germany, DB Mergers & Acquisitions and Morgan Grenfell Deutschland have merged into DB Morgan Grenfell GmbH, which is now an integral part of Morgan Grenfell's international M&A network. Morgan Grenfell has over 100 M&A professionals in Europe and has advised on over 275 cross-border transactions in the past 10 years.

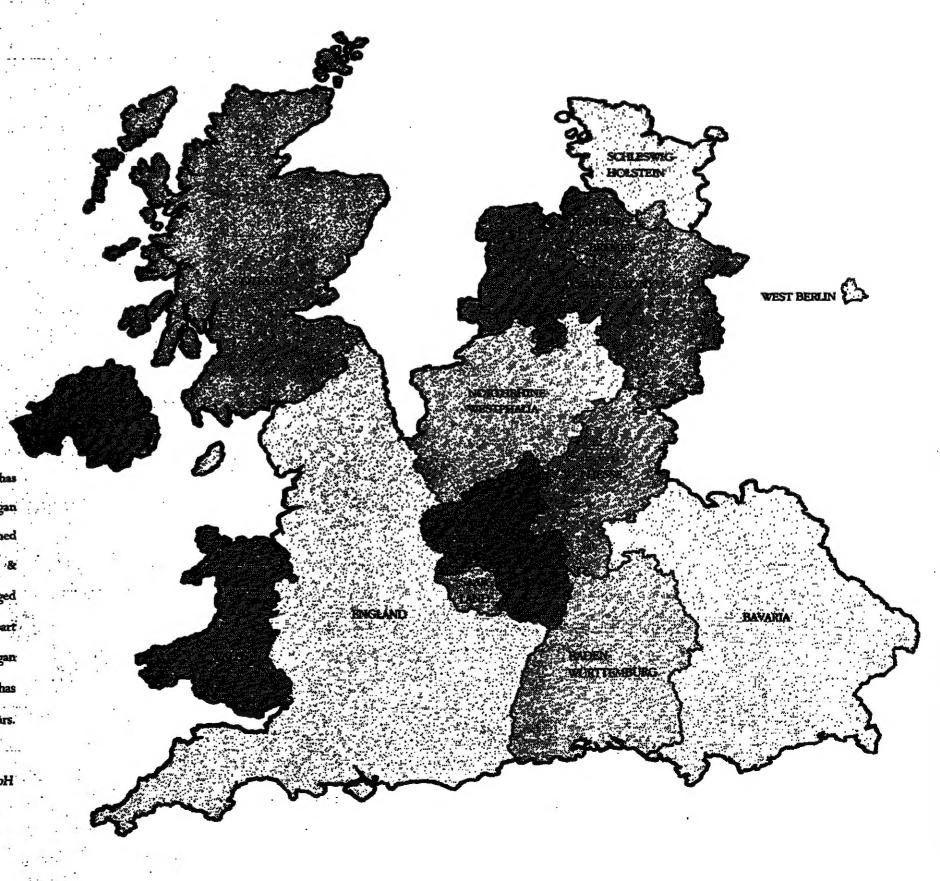
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GERMANY'S big universal banks are busy flexing their muscles in preparation for the new decade, boasting of their capital in the way a strong man shows his pectorals on the beach. But these muscle-bound hulks have yet to convince that they are as agile as they are strong.

The true strength of German banks' balance sheets is not easy to see, thanks to their copious hidden reserves.

The curtains have been pulled back slightly in the past year, as the banks put a value on their huge portfolios of industrial holdings. But this is only a tantalising glimpse of their true capitalisation.

The size of the banks' equity holdings, which do not include investments in banking businesses, and the "secret reserves" to which they give rise, can be seen in the table (right). The scale of the reserves, estimated by Thomas Albrecht, of UBS Phillips & Drew in London, indicates what the banks have previously kept hidden.

However, the banks are still silent on the value of their property holdings. According to Mr Ulrich Ramm, chief economist at Commerzbank, his bank's property could be worth several times the DM1bn which appears in the accounts.

These assets underpin the banks' share prices, aithough with capital gains charged at the corporation tax rate of 53 per cent, they are not readily

While capital remains strong, the banks' margins are suffering a prolonged squeeze. It is the ability to resist this erosion of margins - and expand abroad in pursuit of profitable opportunities - that will determine which of the banks emerge as winners in the next few years. The squeeze on lending mar-

gins last year was due in part to the gradual loss of cheap savings deposits. These are becoming more difficult to retain as savers begin to realaround than the traditional savings accounts which pay 3

#### BANK RESERVES

# A strength test

industrial h	oldings of lea	ading German	banks (DMbn)
Benk	Market value	Book value#	Secret reserve
Deutsche	22.6	3.0	19.6
Dresdner (est)	12.0	3.7	8.3
Commerzbank	3.9	1.0	2.9

# Est. max. carrying value of holdings in banks' balance sheets Source: Thomas Albrecht, UBS Phillips & Drew

start-up.

balance sheets.

forcing a structural change in

the financial sector. This was

most clearly seen last year as the banks, unwilling to lose their role as intermediaries to

the nation's savings, began a move into the life assurance

market through acquisition or

focusing on the sort of fee and

commission-earning business

which does not come near their

As one leading banker explains: "In the loan business,

the margins are so low that it

is more profitable for us to offer capital market transac-

ions." He adds: "Securitisation in Germany only took place because you made no money on loans."

startling anywhere else in the world, but is entirely under-

standable in a country where

the banks are seen, and see themselves, as the linchpin of

Commission income did much to enhance the banks'

earning last year. But for insti-tutional business at least, com-

mission rates are now under

pressure. The traditional 0.5

per cent on share transactions has been under pressure, with rates increasingly coming into line with those prevailing

internationally - a result in part of the fact that the domi-

Germany are foreign ones. The banks are able to resist

nant institutional investors in

the financial system.

This is a claim that would be

The banks have also been

per cent interest a year. Last year, a net DM45bn was withdrawn from such accounts, with half as much again in the first quarter of this year.

This shift is forcing the banks to reconsider their branch structures. According to Dresdner, the real cost of savings deposits is probably 6 per cent, due to the cost of collecting funds through the banks' 1000-plus branch network. As cheap deposits evapo-rate, the banks will be under sure to reduce their retail

According to Mr Gerhard Eberstadt, a leading main board director of Dresdner: "We will need less branches. The number will be substan-tially lower in the next two

years."
Money is not just flowing into accounts that pay higher rates of interest. More savings are flowing into the securities markets and, as the single European market draws near, the banks are acutely aware of the range of more sophisticated investment management "products" which is likely to be launched on the German

The famed caution of German investors, fuelled in part by the banks, which have benefited from cheap savings, may soon become a thing of the

The channelling of savings outside the banking system is

this up to a point, thanks to the large amount of retail interest in securities, mainly

The ambitions of the banks to expand beyond the confines of their balance sheets are clearly illustrated by BHF, a small universal bank. BHF sees no value in bidding for a bigger share of corporate lending or big capital market transactions, where margins are wafer-thin. Instead, it has its sights set on international expansion in investment man-

gement and corporate finance. These are the two businesses on every German bankers' lips at present. Not surprisingly, there is an unspoken but clear envy at Deutsche Bank's decision last year to buy its way into both areas through its

acquisition of Morgan Grenfell. These changes are shifting the static structures and cultures of the universal banks. Two developments make this clear. One is the way the banks, as they add new busi-nesses, are becoming financial holding companies running a series of subsidiaries, rather than operating as integrated

The structure of their uni versal banking cores is not in question, although at least one big bank admits to culture clashes between its investment and commercial bankers, sparked by envy over salary

As the banks expand to

countries where the universal banking culture is less devel-

oped, it is questionable whether they will be willing or able to export this approach. The second notable develop ment is some of the banks' willingness to reduce their industrial holdings, often taken to be the outward sign of their strong corporate relation-ships." Banks like Commerz-bank and Dresdner are open about their intention to reduce their holdings to no more than 10 per cent, in part to defuse the relitically condition issue of the politically sensitive issue of the banks' power in the Ger-

### Katharine Campbell weighs up Frankfurt as a business centre

# Banking on better service

FOREIGN REAL estate street "system."
developers with an eye on the lucrative Frankfurt market ond World War, often schedule an appointment at the Bundesbank at the

beginning of the week. Conventional wisdom has it, namely, that the if the West German central bank moves to Berlin as the capital of a reunified Germany, then then commercial banking sector will relinquish its glossy towers and dutifully follow.

Still, the requisite call seems to provide the answer that, at least for the foreseeable future, the Bundesbank will stay put. Consequently, visiting financiers, much as they might be drawn to the bright lights of Berlin, will have to reconcile themselves to the fact that their business will continue to necessitate a trip to Frankfurt. This is not necessarily a disaster. Frankfurt is in many

ways an attractive place, although generally maligned by the international community, and particularly by trav-ellers who remember the rather dismal town of the 1970s It is admittedly small with a population of just 600,000.

Residents point out as many as 50,000 people are employed in the financial services sector: roughly the number of jobs lost in the City of London in the aftermath of the stockmarket crash.

Its manageable size, at least for the slightly jaded business traveller, can be a delight. Almost all appointments, except with the Bundesbank which is located 15 minutes are within walking distance in the leafy - and seemingly suburban - west-end business dis-trict. The public transport net-work, if needed, makes up in efficiency and comfort what the municipal planning plan lacks in the town's one-way

Almost flattened in the Second World War, Frankfurt has not been restored with the loving precision lavished on many German towns, Instead, its skyline, best seen on the ride in from the airport, gives an impression of an American city. This helped the latest architectural addition, the Mes-

seturm, designed by Chicago architect Helmut Jahn. The town has plenty of good (if monotonously Italian) restaurants, and boasts one of the highest per capita expenditures on "culture" in the country. In Germany, that is a lot of money well spent.

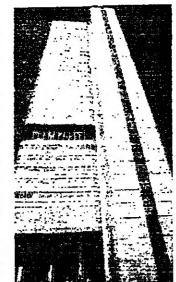
But Chicago or New York it is not. Indeed the comparison would not even come to mind were it not for the mayor's flourishing rhetoric. One is probably expected to

sit up and take note when Mr Volker Hauff boldly announces: "What New York is to the United States, Frankfurt shall be for our country, for Europe. "And New York shows," he goes on, "that this internation-

alism consists not only of ansin consists not only of money, the economy ... but also of culture ... great liberalism, living art ... Applying the breaks, being stubborn, hesitating – that is not my thing." in economic and commercial terms, Frankfurt's ambitions

to be a leading international ancial centre are being fulfilled. Many barriers are fall-ing, and as the international community grows, provincial attitudes come under assault

Yet the tolerance, flexibility and hence diversity which make up a leading interna-tional centre — in daily life, not just business — are still largely missing. It is the sort of mentality that leads politicians and burghers to enthusiastically talk of cleaning up what



stabilshed in Frankfurt

must be one of the tamest red light districts in the world.

One of the essential prerequisites of a flourishing financial metropolis must surely be a strong supporting service industry. Curiously, Germany, in popular myth the most efficient country in the world, is decades behind when it comes to this service.

It is strange that its citizens, who demand high standards at all levels, from street cleanliness to high performance cars, should put up with it.
Start with communications.

One does not yet expect to easily to reach East Germany by lephone, but connections to the west are faulty too.
The business visitor may be

surprised to find that he or she cannot, under any circumstance, make a collect call into, or indeed out of, the country.
Germany has not signed the
international agreement on

Could it be a legacy of the enduring national suspicion of

Then, as is well known, the shops shut by Saturday after-

noon, in Frankfurt as cise-where, until Monday morning - unless you are prepared to eat flowers!

Eating out is not necessarily the answer. A large number of restaurants are mysteriously closed when custom is likely to be liveliest: on Saturday evenings and public holidays.

One could even conclude that the powerful unions are for once helping to buttress the authorities' anti-inflationary stance - price control is easier if people cannot readily spend money. Even the banks seem to play an important role by closing for an hour or two every lunchtime, thereby inhibiting access to ready cash

This lessurely approach extends to business, where a demeanour often bordering on inflexibility sharply distinguishes Frankfurt and the rest of Germany from first-tier financial centres.

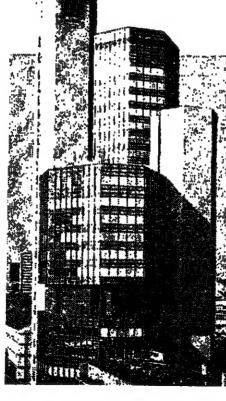
The recent struggle to extend by 60 minutes the Frankfurt stock exchange opening hours, to three from two hours, was no doubt a trifle puzzling to workaholic Wall

Street or City traders.
It is often with a hint of irritation that telephone receptionists will inform a caller late or even mid afternoon on Friday (and not necessarily just Friday t. "wir haben duch Feierabend." Literally translated this means: "but don't you see we are having a cole-bration evening?" In fact, this just German for "everyone has gone nome."

Travellers cannot rely on catching up on their schedule by jumping in a taxi. They generally need to be hailed by tele-

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## DERIVATIVES TRADING

# A call for support

TWO YEARS is a long time in the futures business. About two years ago Mr Rolf Breuer, Deutsche Bank's securities supremo, assured Liffe that his bank would never trade a D-Mark bond on the London futures exchange. Last month, however, it was officials of the new domestic

Deutsche Terminböerse (DTB) whom Mr Breuer, now chairman of the German exchange, He told them that Deutsche, which in the meantime has set

up its own pit-trading opera-tion on the London floor, would continue to trade the flourishing Liffe bund (10-year government bond futures) con-tract after the DTB finally launches its rival, a virtually look-alike product, at the beginning of September.

Competition will be cutthrost and the fate of the contract could make or break the neophyte exchange in interna-tional terms. The DTB is therefore inevitably counting on German banks to bring the bulk of their business back to Frankfort.

As the largest bank, Deutsche's moves are particularly

significant Four months after its inception, the DTB electronic mart. which trades options on 14 blue chip German equities, has clocked up better-than-expec-ted volumes — a daily average of 24,000 lots, compared with the deliberately cautious estimates of 15,000 contracts.

It has weathered a few systems failures quite well, and has detected its first case of manipulation. But it still has to soundly convince its inter-national audience that it is an attractive place to do business.
It is a "tiny tot, a dwarf,"
says Mr Bretter, who clearly
believes sharp words are the
best tonic. Another official,

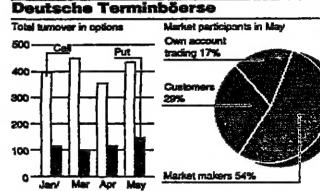
from an American house in Frankfurt, adds: "One has to ask oneself what those market-makers are doing all day."
But market-making, let alone options technology, is new to the German market, and the will to create a sophisticated financial centre is also

relatively young. The intense conservatism that characterises the local marketplace put Germany years behind its European competitors in starting a derivatives exchange.

The same attitude makes participants slower in warming to novel techniques, in contrast, for example, to the French who wholeheartedly embraced derivatives with a speed that unsettles onlookers

One of the largest broking houses on the Liffe market claims the German community has "deliberately set about excluding knowhow from the market." A raft of rules and regulations make it extremely unattractive for such a broker to set up as a full DTB clearing member, leaving the field almost entirely to the big banks.

The London spokesperson says the DTB closely follows Soffex, the Swiss options



exchange dominated by the three leading Swiss banks. He says DTB has not only adopted its software but has also taken

1990

Soffex has not been a success in international terms, and while the market-making community of the DTB is more diverse than Soffex's, German participants have a surprising tendency to measure themselves seainst Soffex - rather than against, for example, Lon-Potential international users say that Germany, far from

apparently trying to exclude knowhow, should be throwing the door wide open to learn from the experience of other European derivative exchanges. Not that the foreigners are complaining. American houses are boast-ing about the money they are

making from German banks mistakes, notably from a series of mispricings in the fixed ome warrants market. Some bankers say practices that appear to be accepted among DTB members may be putting off international clients. In several banks, traders

operating for the house account sit at the same desk as brokers filling client orders. This practice, at least in sus-picious American or UK minds, could suggest the risk of the bank dealing ahead, and there-fore to the disadvantage of the

Meanwhile, in terms of users, a large proportion of business is still between the banks as market-makers or as principals trading for their

Only 16-25 per cent of the transactions are thought to originate from genuine end

retail nor institutional investors in Germany have really caught on yet. In spite of extensive marketing efforts by the big banks to attract retail customers, the legal situation has not been clarified. Potential investors have to read and then sign screeds of text telling them how danger-

ous options are, and the bank officer then has to compile a full report detailing how the client was informed. This is hardly conductive to business From a tax point of view, it is more attractive for the prithe plethora of warrants that are being issued, because they can be held for more than six

months and can then avoid capital gains tax. Meanwhile, German investment funds, only some of which are now legally empowered to use options in their portfolio management, still have to alter articles and set up systems - a process unlikely to be completed before

the end of the year. Public fund are still waiting for legal power to buy options and futures. This is expected from November.

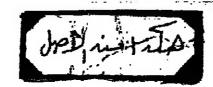
International investors, on the other hand, are focusing on the introduction of the 10-year bund, to be traded together with a future on the Dax index of 30 blue chip stocks from Sep-

Katharine Campbell



FINANCIAL TIMES

1990 RELATED SURVEYS



FINANCIAL TIMES TUESDAY JUNE 19 1990

WEST GERMANY 5

The insurance industry: a staunchly defended market

# Vanguard against change

COMPARED WITH other financial services, insurance progress on directives for implementation by the begin-

tors, operating in Europe's biggest and most heavily-protacted market, are not complaining about the delays. Indeed, the progress that has been made has largely been accomplished in the face of fierce opposition on their part.

But it was with care that Sir Leon Brittan, EC competition commissioner, recently addressed a gathering of Ger-man insurers in Cologne on the subject of the commission's sims to extend the freedom-ofservices concept in the insur-

moe industry.

His careful phraseology underlined how unpopular he knew his message of free competition would be.

But in terms of concrete measures affecting near-term business prospects, Sir Leon's audience probably heard noth-ing to unfully alarm it.

The domestic firms, most notably Allianz, which derives about 40 per cent of its income from outside Germany, look set to do better out of the rest of Europe than the rest of Europe will do within Germany.

goes, the relevant directive must be adopted by member states into national law by the end of June, and Germany is likely to meet the deadline.

But it is changes in the fast-growing but staunchly defended life assurance market which are of most potential interest, at least to foreign players with an eye on the Ger-

man savings honey pot. The force of one directive in the field of life insurance may be considerably reduced and there is not even a draft version for a second directive yet.

The second life insurance directive, bitterly opposed by the Germans during its pas-sage, is being held up by a technicality in the European

however, the directive is not going to change business prac-tices overnight.

Its basic thrust, the so-called

port

"own initiative provision," is to permit the sale of foreign insurance policies to clients who specifically request them.



Thee Walgel: support for

Although the number of German savers likely to know about a particular life product such as from a Scottish company for example, will not be great, many domestic insurers are distinctly mistrustful.

Some would like to totally ban brokers from selling for-eign policies. Brokers account for just a small part of the German mar-ket but are unsupervised. No

German Insurers are deeply mistrustful of any moves to introduce a single

qualification is required to sell ublic insurance policies in

European passport

In response to pressure from German ministers, however, the EC has said that it will allow member states three

years to introduce their own kind of broker regulation. The idea of applying the European passport concept to the insurance industry is also on the programme but not yet in draft form.

Already embodied in the second banking directive, this would similarly allow insurance companies to sell across borders on the strength of the licence obtained from their home regulator without the need to establish branches in

esch country.

While Mr Theo Waigel, the
West German Finance Minister, at a meeting in March with
Mr Nicholas Ridley, the British
Secretary for Trade and Indus-

try, supported the basic princi-ple of a single passport, he was clearly not speaking with the full support of the domestic

insurance business. German insurers and their regulators are deeply mistrustful of any such moves.

"Excessive regulation gets in the way of product innovation and choice," Sir Leon said in his Cologne speech.

Any foreign insurer who has tried to penetrate the German market, particularly in the life area, would heartily agree, as would an increasing number of

While it may be difficult to quantify where customer pro-tection leaves off and protec-tion of the home industry sets in, other European players would be in no doubt as to which side of the fence the German supervisory authori-

Rigorously standardised; every new twist to a policy has to be scrutinised by the regulators. Equally, firms with new products are expected to show their wares before competitors

Before the single passport is introduced, there will no doubt acrimonious discussion ween member states as to how far the writ of the host, as opposed to the home, regulator This will be crucial in deter-mining whether foreign insur-

really get a fair crack at the German market.

Meanwhile, within the domestic market, one of the most important themes continues to be Allfinanz, or one-stop

ties to be Allfinanz, or one-stop financial shopping.
Alliances between banks and insurers continue to be struck.
Deutsche Bank, the country's largest bank which set up its own life insurence unit last September, recently amounced a joint venture with Gerling, which mainly insures industrial risk, in the field of life policies offered by companies policies offered by companies to their staff.

motives cited for such partner-ships has been the spectre of pan-European competition, the true rationals — given the EC changes are, at best, some dis-tance off - has more to do with the banks' dwindling

No one expects this struc-tural bias to change given the

No matter how logical the tie-ups, the rewards may take

years to shine through. Nor is it clear which of the various models will prove the most successful.

Deutsche says it has sold a total of 64,000 life contracts worth DM8.7bn in the first

But some of its competitors, which allege that Deutsche's business has considerably fallen off after a surge in the initial months, reckon that the concept of bank staff selling fe insurance as an adjunct to the raft of banking services simply will not work.

They contend the life policy will get lost among all the other products when the nov-elty has worn off.

Other models have been ed on links between banks and insurers, aiming to blend the bank branch network with the insurance companies full and part-time sales repre sentatives

One of the first of these was put in place by the big insurer Aachener & Münchener when it bought a majority stake in BfG, the West German reconstruction bank, then wholly-owned by the trade unions. BfG had, and still has, its

own problems, but, after three years, A&M appears to be beginning to make the alliance

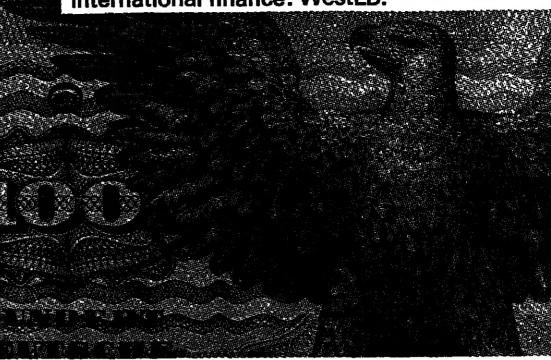
Allianz, West Germany's biggest insurer, has a marketing part with Dresdner, the num-ber two German bank.

It covers five states only because Dresdner wanted to keep its distance and so linked with three other companies to cover the rest of the country. The venture started as a product of Allianz's pique with Deutsche when that, bank, announced it was setting up its own life activities, thereby abruptly ending a long-standing and close relationship.

Other hanks and insurers have agreements in place, and a number of foreign insurers say they would like to find a friendly German bank to dis-tribute their products. This might well prove their

best method of entry given the difficulties Brussels is encountering opening up the market.

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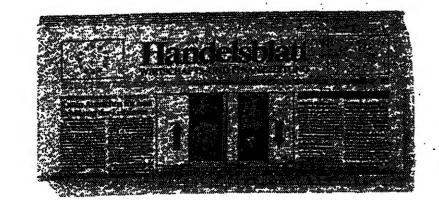
bal network stretching from Düsseldorf to New York and London, WestLB is always waiting in the wings - wher-

evar you operate.



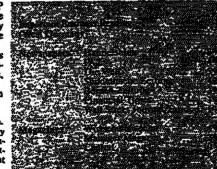


# important business reading



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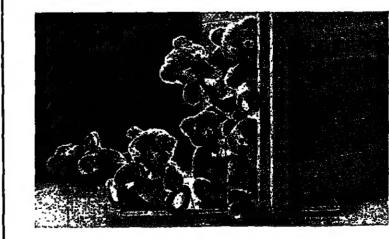


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brokers' position as interesti-

remain the main position by

ers in smaller stocks, sugnity.

In parallel with these

changes, the Frankfurt exchange is changing its

organisation and ownership in

a development that will make

it more comparable to its Lap.

expected to approve the priva-

By the end of this year, to

should have been sold by the

Frankfurt Chamber of Com-

merce to the exchange's men.

be geared to the amount each

member has paid to the

exchange in the last five years.

and the assets will be sold as

book value, with no amount

make it better able to finance

the development of new ser

"Five years ago, the manage

ment couldn't even acquire a typewriter," says Mr Werner Waldeck, the market's chief

Now it is planning a range of

It remains to be

seen whether the

developments will

compete with

SEAQI

systems developments and has

Selling prices, for instance,

brought in DM2.4m last year,

compared to DM200,000 two

vears ago - a small amount

when compared to London, but

a sign of the changes under

still to be directed locally. It is

not surprising that the Ger-

mans are unwilling at this

stage to accept a European market based on Lundon's

It remains to be seen, how

ever, whether these trading

tem able to compete with

SEAQi on international share

developments can create a sys

SEAQ International.

With these many changes

a more commercial approach

The exchange says this will

for goodwill.

executive.

The split of ownership will

On July 5, its governors are

don and Paris counterparts.

tisation of the exchange.

ing liquidity to the market.

Also, they are likely to

#### **WEST GERMANY 6**

THE RISKS and uncertainties of extending the D-Mark into East Germany are similar to

the currency reforms of 1948. When Mr Ludwig Erhard, Germany's post-war Economics Minister, introduced the D-Mark to war-torn West Ger-many, and so laid the foundations for the ensuing Wirtschaftswunder, every citizen received just DM40 in exchange for 40 units of the old imperial mark

The extension of the world's second reserve currency into the precarious East German economy are just as great in their own way.

The Bundesbank, the West German central bank, is at the centre of this far-reaching

One of the laws prescribing the bank's powers says it "shall not be subject to instructions from the Federal Government." This independence has apparently been compromised in the rush for monetary union, at least in the eyes of the international financial community. This could be attributed to the bank largely being left out of importantpolicy discussions in recent

Mr Bluford Putgam, chief conomist at Kleinwort Benson in London, says this has dented the mark on the foreign exchange markets to an extent, but he argues, and "the only thing that is keeping the D-Mark from weakening a lot further is the threat of foreign exchange intervention."

Mr Putnam believes the first

reassert its independence will be via an interest rate hike in autumn - if circumstances allow higher short term rates

Noises from within the central bank give support to the impression of policy conflicts. Mr Wilhelm Nölling, a council member and president of the Hamburg central bank, recently said that Bonn had failed to consult the bank on monetary union. Mr Helmut Hesse, at the Lower Saxony

to the debate with similar com-At pains to present a united front, Bundesbank president Karl Otto Pöhl insists that the central bank has been fully involved and is "very satisfied with the contents of the treaty of social and economic union

with East Germany. However, it is clear that Frankfurt has not been left unscathed in the political whirlwind that has swept Chancellor Helmut Kohl towards introduction of the D-Mark in the East from July



Post-war minister: the late Mr Ludwig Erhard

THE BUNDESBANK

# Independence compromised

From the start, the Bundesbank has quite clearly been opposed to rapid currency union. Even considering ensuing political imperatives, nota-bly the flood of refugees still pouring westwards, it favoured at least slightly stricter terms than the Government imposed. Just last month, however, it emerged that the central bank had again been largely ignored when details of the German

Unity Fund were released. As the two Germanys plunge into an unchartered economic waters, the Bundesbank faces its biggest challenge since its

inception in 1957. It probably wishes it was not fighting to bridge a credibility gap too. From July 2, the less-valued East German mark will be consigned to history. In exchange, wages, pensions, and a proportion of each citizen's savings will be converted into D-Mark at the generous rate of 1:1. Savings in excess of DM4,000 (DM6,000 for pensioners and DM2,000 for children) will be converted at 2:1, as will

corporate debt.
The robust DM2,000bn West German economy, with its low inflation rate and hefty current tioned to absorb the troubles expected during the transition. But the Bundesbank is still likely to be faced with painful ns both on the inflation and the interest rate front. Long before the terms of nervous international inves-

tors, with their own suspicions

drove bond yields to eight-3 highs. The average yield on German public bonds, 7.3 per cent before the Berlin wall was breached in November, climbed to 9.15 per cent in Feb-

As details continue to come

out, some economists say

yields could be 10 per cent by the end of the year. Even Mr Theo Waigel, the West German Finance Minister, recently admitted that "only a soothsayer or a swin-dler can estimate the costs of German unity." With an eye on the end-of-year elections, the West German Government has pledged that its vast pro-gramme can be achieved without calling on the German taxpayer. Mr Pöhl has suggested a tax hike should not be ruled

Instead Ronn announced the creation of the German Unity Fund to raise DMI15bn in the next 4% years - DM20bn from central budget savings, and the rest borrowed, in the fund's name but with a full government guarantee, in the capital markets. This could bring the pan-German public sector borrowing requirement to around DM100bn for 1990, still only 3.5 per cent of gross national product, but a very sharp increase above the just DM19bn raised The costs will not necessar-

ily rest there. Any number of economic factors could upset present sums. even ignoring the Social Democratic opposition attempts to alter the terms of the treaty. To begin with, Bonn is

counting on vastly-enhanced tax receipts on the strength of 4 per cent growth in the economy this year - including a 1 per cent supply and demand boost from East Germany and 3.5 per cent for 1991.

On top of these home-grown uncertainties, adverse developments in the world economy could also throw these sums

The size of the East German budget deficit, currently at DM33bn, is another unknown factor. A leading West German economic institute recently forecast a 10 per cent slump in East Germany's gross national product for 1990, in the early months of the painful adjust-

ment process. Meanwhile, official funds are intended only as a modest catalyst to stimulate private capital flows to provide the bulk of the necessary long-term investment. A recent survey of German corporates, however, shows growing disillusionment with persistent legal uncertainties and bureaucratic tedium with a significantly lower percentage of firms than in January expressing willingness to

On the inflation front, the Bundesbank will closely watch spending of the newly won D-Mark. A massive consumption wave cannot be ruled out after years of deprivation of basic consumer goods, although the spectre of unemployment, lurking in most workplaces, could be a strong deterrent.

Mr Pohl has said that he is less concerned about the inflationary push from the East than about developments in the West, notably signs of over-heating in the domestic building sector. Even so, the Bundesbank has no easy task operating without many of the basic tools of monetary policy on which it normally relies.

As Mr Hermann Remsperger, chief economist at BHF bank in Frankfurt points out, in accordance with the Bundes-bank's normal techniques, "increases of the money supply should be geared to the growth in production potential. Unfortunately there are still no comparable figures available for

East Germany."

He adds that some calculations of the "correct" money supply assume the same velocity of circulation of money as the federal republic - when behaviour patterns are

The Bundesbank's performance in unchartered territory will be keenly watched, particularly given its push to become ropean central bank

Katharine Campbell

Equity markets are instigating change to increase turnover

# Banks compete for a share

third of some leading German shares in London has been a sore point with German bank-

ers for some time. Insult was recently added to this injury when, just last month, the London trading system was proposed as the basis for a pan-European stock mar-

Large banks dominate share trading in Germany and they want to retain that role.

International competition. and growing turnover on local exchanges, has given them the mish that was needed to bring their exchanges up to date. Eight exchanges operating under the federal structure

divide share trading among But this system has largely been surpassed by Frankfurt's

emergence as the dominant market The markets will be transformed this time next year

when a range of improvements to dealing systems is due for The banks' decision to act is summed up by Mr Gerhard Eberstadt, a member of the

board of managing directors of Dresdner Bank: "We have been cautious in the past because of Frankfurt's share

of trading in German securities accounts for two thirds of turnover

political reasons. But the time for caution is over.

"It's a matter of cost." He says investors will use only the most cost-effective

"If you can buy Siemens shares at eight places in the world, four of them in Europe, you will only buy where you can do it in a cost-effective

Some work has already been carried out on centralising the equity market.

country's five share depositories have been merged as have the data processing functions of the two biggest markets, Frankfurt and Dussel-

Most importantly, IBIS, an interbank share price information system is to be introduced into the Frankfurt exchange

THE REGULAR turnover of a later this year. Many see this as the core of a future country-wide equity trading system. Frankfurt's share of trading

in German securities has risen to the point where it accounts for two thirds of turnover. In comparison, Dusseldorf accounts for about 15 per cent.

Some others have less than 1 per cent. Half of Frankfurt's turnover is in equities.

Two years ago, 80 per cent of its turnover was dominated by bond busines The regional markets are left

with little option but to accept the role that Frankfurt is offer-What future does that leave

for the other regional markets? The answer from Frankfurt is that they have a job to do in bringing more companies to the stock market.

Although it leads the way, Frankfurt is belatedly overhauling itself in recognition of its central place in the German equity markets.

The 12 per cent fall in share prices in last October's minicrash has generally been blamed on the failure of the order-routing system to bring orders to the market, undermining its price-making func-

mated routing sytem called BOSS is expected be in place. At the same time, the market's trade reporting and clearing and settlement systems will be electronically tied to the brokers' new automated This will link the process of

a trade in a single electronic flow from beginning to end. Settlement is already Frankfurt's biggest boast, with a

two-day settlement period. But work is also under way to improve this system. Greater efficiency at the exchange should also help banks to run their back offices. According to Mr Manfred Zass of Deutsche Girozentrale, the ratio of back office to front

office staff is typically three to one in a German bank. He says it will need to be brought down to nearer one-to-one to make the market internationally competitive. Automating the existing auc-

tion is only part of the develop-

A higger step, likely to come later this year, will be when IBIS is taken into the exchange

and developed into a full deal-

IBIS has already carved out a position for itself outside the three-hour stock exchange trading day - it was only two hours until January - but it accounts for only a fraction of

total dealing at present. The planned changes should er hance its role.

It will become a regulated market, under the wing of the exchange, rather than carrying what one banker calls "wild cat" prices. Other changes include

screen dealing which will cut out the use of telephones altogether, and the automatic matching, clearing and settlement of transactions. Smaller traders fear that

IBIS will benefit the big banks. which have the capital to dominate this screen-based quote Whatever the reservations, however, nothing is likely to stop the full development of

the system before the end of the year. IBIS's weaknesses should not

be overlooked. There are doubts about its

The Frankfurt exchange describes the system as a "rough and ready" answer which will have to be upgraded soon, if not replaced alto-

Some quarters claim a rival system developed for brokers Meanwhile, as the dealing systems are improved, a very

profitable niche is under This is the corner occupied by brokers at the heart of the auction system whose job it is to match buy and sell orders.

Their work will be made redundant in an electronic era. Their 0.08 per cent commis sion may seem small, but given the market's soaring turnover. it is not surprising that the banks who use the market resent the huge carnings of

There commission rates has already been reduced (to 0.06 per cent last month), and may disappear in time.

survive these changes. Others in the market who deal through them have the benefit of having their own

involvement concealed, at least

for a short period - a practice

which gives some value to the

Richard Waters



CONTINUATION OF A SUCCESSFUL DEVELOPMENT.

For the Landesbank Rheinland-Pfalz - Girozentrale and the companies associated with it, 1989 saw a continuation of the successful performance of preceding years.

The key figures speak for themselves - the Bank's balance sheet total: up by 7.8%, to DM 44,1 bn (including its Luxembourg branch and the Landes-Bausparkasse). Growth in volume of business: 8.5%, to DM 46 bn. Group balance sheet total: up by 9.1%, to DM 49.1 bn. Group's volume of business: up 9.6%, to DM 50,2 bn. In short, the Bank successfully maintained its

market position.

in Moscow.

In implementing its strategy, the Bank extended its supra-regional and European presence. In 1989, it thus acquired a holding in the investment company, Banque SAGA (SA) of Paris, thereby becoming established in France as well. The Bank is now represented in Europe's most important financial markets - Luxembourg, Zurich, London, Parls and Amsterdam. Its Swiss subsidiary, which had formerly operated as a finance company, acquired full bank status under Swiss law. Since mid-1989, the Bank has had a representation

One focal point of the year under review was the further intensification of the association

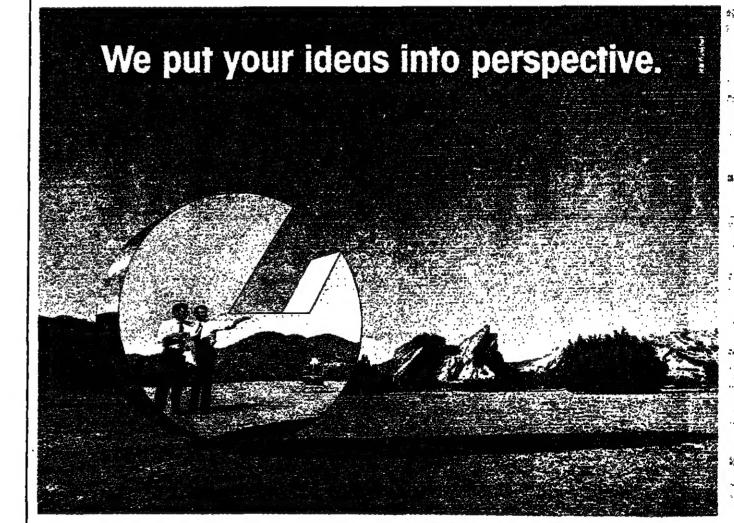
with the Rhineland-Palatinate savings banks. In line with its mandate, the bank also backed up structural policy measures to retain the competitiveness of Rhineland-Palatinate.

There was a gratifying growth in the Bank's lending volume in the year under review. New real-estate lendings underwent a particularly lively development. Expansions were also reported in refinancing through both national and international banks and in loans to special banks and leasing and factoring companies. Foreign business also continued the positive trend of previous years.

			_	
Key Figures 1989	in DN	i millions	per	cent
Balance Sheet Total	(Group)	49,117	+	9.1
Balance Sheet Total (	(Bank)	44,142	+	7.8
Receivables		35,086	+	7.7
Liabilities		20,244	+	15.3
Debentures and Bond	ds	18,562	+	3.1
Capital and Reserves		1,085	+	2.8
Fiduciary Accounts		3,593	+	1.7

In addition to an increase in the sales of its own securities, the Bank's involvement in all government issues as well as numerous foreign bonds in both deutschmarks and other currencies demonstrated its powerful placing ability.

Despite increased interest rates and a restrictive monetary policy, the Bank achieved a satisfactory result, thus continuing its positive performance of the previous year. Once again, there was a growth in the Bank's interest margin. A pleasing increase was recorded in business on a commission basis and for the Bank's own account. At DM 50 m, the after-tax surplus was the same as for 1988. Of this, an amount of DM 30 m was allocated to reserves from retained earnings and DM 20 m paid out as dividend.



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